

# **CEDERBERG LOCAL MUNICIPALITY**



## **ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2018**

# CEDERBERG LOCAL MUNICIPALITY

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# CEDERBERG LOCAL MUNICIPALITY

## GENERAL INFORMATION

### NATURE OF BUSINESS

Cederberg Local Municipality performs the functions as set out in the Constitution. (Act no 105 of 1996)

### LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

### JURISDICTION

The Cederberg Local Municipality includes the following areas:

|              |              |
|--------------|--------------|
| Algeria      | Graafwater   |
| Clanwilliam  | Leipoltville |
| Lamberts Bay | Elands Bay   |
| Citrusdal    |              |

### MEMBERS OF THE COUNCIL

|              |                                  |
|--------------|----------------------------------|
| Ward 1       | Cllr Jan Meyer                   |
| Ward 2       | Cllr Raymond Vernie Pretorius    |
| Ward 3       | Cllr Benjamin Ferdinand Zass     |
| Ward 4       | Cllr Jimmy Barnard               |
| Ward 5       | Cllr William Josef Farmer        |
| Ward 6       | Cllr Rhoda Gladys Witbooi        |
| Proportional | Cllr Francina Sokuyeka           |
| Proportional | Cllr Evelyn Nombulelo Majikejela |
| Proportional | Cllr Nosiphiwo Sylvia Qunta      |
| Proportional | Cllr Marianne Nel                |
| Proportional | Cllr Lorna Scheepers             |

### MEMBERS OF THE MAYORAL COMMITTEE

Cllr J Barnard (Executive Mayor)  
Cllr BF Zass (Deputy Executive Mayor)  
Cllr RV Pretorius  
Cllr RG Witbooi

### MUNICIPAL MANAGER

Mr PL Volschenk

### CHIEF FINANCIAL OFFICER

Mr Elrico Alfred

### AUDIT COMMITTEE

Pieter Strauss (Chairperson)  
Leone Arendse  
Marjorie Linnert

### REGISTERED OFFICE

2A Voortrekker Road  
Clanwilliam

### POSTAL ADDRESS

Private Bag x2  
Clanwilliam  
8135

# CEDERBERG LOCAL MUNICIPALITY

## GENERAL INFORMATION

### AUDITORS

Office of the Auditor General (WC)

### PRINCIPLE BANKERS

ABSA Bank Limited

### ATTORNEYS

Burger & Marais

Erasmus and Associates

Visser en Vennote

Grant Spammer Prokureurs

Turner Legal

### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

Municipal Budget and Reporting Regulations

National Environmental Management Act

Preferential Procurement Policy Framework Act, 200

Occupational Health and Safety Act

mSCOA Regulation

# CEDERBERG LOCAL MUNICIPALITY

## APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

### APPROVAL OF ACCOUNTING OFFICER

I am responsible for the preparation of these annual financial statements year ended 30 June 2018, which are set out on pages 1 to 77 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2019 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

  
Mr PL Volschenk  
Accounting Officer

31 / 08 / 2018  
Date

# CEDERBERG LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

|  | Notes | 2018<br>R<br>(Actual) | 2017<br>R<br>(Restated) |
|--|-------|-----------------------|-------------------------|
| <b>ASSETS</b>                              |       |                       |                         |
| <b>Current Assets</b>                      |       | <b>70 536 821</b>     | <b>63 180 335</b>       |
| Cash and Cash Equivalents                  | 2     | 18 532 065            | 22 300 890              |
| Receivables from Exchange Transactions     | 3     | 30 307 216            | 26 473 276              |
| Receivables from Non-Exchange Transactions | 4     | 17 115 999            | 13 193 292              |
| Taxes                                      | 5     | 3 125 355             | -                       |
| Operating Lease Assets                     | 6     | 4 256                 | 7 794                   |
| Inventory                                  | 7     | 1 451 931             | 1 205 083               |
| <b>Non-Current Assets</b>                  |       | <b>597 622 718</b>    | <b>571 897 912</b>      |
| Investment Property                        | 8     | 80 157 437            | 80 473 087              |
| Property, Plant and Equipment              | 9     | 506 445 605           | 476 313 374             |
| Intangible Assets                          | 10    | 1 319 342             | 354 433                 |
| Capitalised Restoration Cost (PPE)         | 11    | 9 700 334             | 14 757 018              |
| <b>Total Assets</b>                        |       | <b>668 159 539</b>    | <b>635 078 247</b>      |
| <b>Current Liabilities</b>                 |       | <b>100 116 203</b>    | <b>84 685 692</b>       |
| Current Portion of Long-term Liabilities   | 12    | 3 399 988             | 3 039 169               |
| Consumer Deposits                          | 13    | 1 954 330             | 1 812 782               |
| Payables from exchange transactions        | 14    | 52 991 386            | 38 964 993              |
| Unspent Conditional Government Grants      | 15    | 33 460 083            | 32 314 994              |
| Taxes                                      | 5     | -                     | 842 513                 |
| Operating Lease Liabilities                | 6     | 10 561                | 25 276                  |
| Current Employee benefits                  | 16    | 8 299 855             | 7 685 965               |
| <b>Non-Current Liabilities</b>             |       | <b>93 324 994</b>     | <b>89 593 935</b>       |
| Long-term Liabilities                      | 12    | 18 367 165            | 19 012 417              |
| Employee benefits                          | 17    | 33 040 619            | 27 967 314              |
| Non-Current Provisions                     | 18    | 41 917 210            | 42 614 204              |
| <b>Total Liabilities</b>                   |       | <b>193 441 197</b>    | <b>174 279 627</b>      |
| <b>NET ASSETS</b>                          |       | <b>474 718 343</b>    | <b>460 798 620</b>      |
| <b>COMMUNITY WEALTH</b>                    |       |                       |                         |
| Accumulated Surplus                        |       | 474 718 343           | 460 798 620             |
|  |       | <b>474 718 343</b>    | <b>460 798 620</b>      |

# CEDERBERG LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2018

|   | Notes | 2018<br>R<br>(Actual) | 2017<br>R<br>(Restated) |
|---|-------|-----------------------|-------------------------|
| <b>REVENUE</b>                                |       |                       |                         |
| <b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b> |       | <b>149 509 810</b>    | <b>141 666 608</b>      |
| <b>Taxation Revenue</b>                       |       | <b>41 372 155</b>     | <b>38 308 187</b>       |
| Property Rates                                | 19    | 41 372 155            | 38 308 187              |
| <b>Transfer Revenue</b>                       |       | <b>92 707 559</b>     | <b>78 262 333</b>       |
| Government Grants and Subsidies - Operating   | 20    | 57 682 108            | 50 308 265              |
| Government Grants and Subsidies - Capital     | 20    | 33 979 081            | 27 575 163              |
| Public Contributions and Donations            | 21    | -                     | 17 203                  |
| Contributed Assets                            |       | 1 046 370             | 361 702                 |
| <b>Other Revenue</b>                          |       | <b>15 430 096</b>     | <b>25 096 087</b>       |
| Insurance Refund                              |       | 134 699               | 183 739                 |
| Fines, Penalties and Forfeits                 | 22    | 15 293 744            | 21 607 070              |
| Actuarial Gains                               | 23    | -                     | 3 259 244               |
| Reversal of Impairments                       | 24    | 1 653                 | 46 034                  |
| <b>REVENUE FROM EXCHANGE TRANSACTIONS</b>     |       | <b>133 733 838</b>    | <b>131 023 806</b>      |
| <b>Operating Activities</b>                   |       | <b>133 733 838</b>    | <b>131 023 806</b>      |
| Service Charges                               | 25    | 120 342 155           | 118 574 051             |
| Rental of Facilities and Equipment            | 26    | 3 451 935             | 3 755 082               |
| Interest Earned - external investments        |       | 1 426 564             | 863 414                 |
| Interest Earned - outstanding debtors         | 27    | 2 067 817             | 2 960 994               |
| Agency Services                               | 28    | 3 101 335             | 2 817 435               |
| Other Income                                  | 29    | 3 344 032             | 2 052 829               |
| <b>TOTAL REVENUE</b>                          |       | <b>283 243 648</b>    | <b>272 690 414</b>      |
| <b>EXPENDITURE</b>                            |       |                       |                         |
| Employee Related Costs                        | 30    | 93 658 527            | 82 700 107              |
| Remuneration of Councillors                   | 31    | 5 293 216             | 4 776 507               |
| Debt Impairment                               | 32    | 26 296 551            | 32 326 939              |
| Depreciation and Amortisation                 | 33    | 16 070 013            | 16 053 646              |
| Actuarial Losses                              | 23    | 1 154 551             | -                       |
| Finance Charges                               | 34    | 8 073 767             | 7 887 228               |
| Bulk Purchases                                | 35    | 68 531 369            | 67 596 734              |
| Transfers and Grants                          | 36    | 1 021 052             | 817 005                 |
| Other Expenditure                             | 37    | 49 174 185            | 46 803 351              |
| Loss on disposal of Non-Monetary Assets       | 38    | 50 690                | 922 435                 |
| <b>TOTAL EXPENDITURE</b>                      |       | <b>269 323 921</b>    | <b>259 883 952</b>      |
| <b>NET SURPLUS FOR THE YEAR</b>               |       | <b>13 919 727</b>     | <b>12 806 461</b>       |

# CEDERBERG LOCAL MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2018

|   | ACCUMULATED<br>SURPLUS<br>R | TOTAL<br>R         |
|---|-----------------------------|--------------------|
| <b>Balance on 30 June 2016</b>              | <b>448 044 002</b>          | <b>448 044 002</b> |
| Correction of error restatement - note 39.4 | (51 845)                    | (51 845)           |
| <b>Balance on 30 June 2016 - Restated</b>   | <b>447 992 157</b>          | <b>447 992 157</b> |
| Net Surplus for the year                    | 12 806 463                  | 12 806 463         |
| <b>Balance on 30 June 2017 - Restated</b>   | <b>460 798 620</b>          | <b>460 798 620</b> |
| Net Surplus for the year                    | 13 919 723                  | 13 919 723         |
| <b>Balance on 30 June 2018</b>              | <b>474 718 343</b>          | <b>474 718 343</b> |



# CEDERBERG LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2018

|  | Notes     | 2018<br>R<br>(Actual) | 2017<br>R<br>(Restated) |
|--|-----------|-----------------------|-------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>             |           |                       |                         |
| <b>Receipts</b>  |           |                       |                         |
| Property Rates   |           | 37 233 630            | 32 839 893              |
| Service Charges  |           | 99 585 591            | 105 195 474             |
| Other Revenue  |           | 12 203 307            | 15 935 359              |
| Government Grants                                      |           | 92 806 278            | 107 784 086             |
| Interest   |           | 3 494 381             | 3 824 409               |
| <b>Payments</b>  |           |                       |                         |
| Suppliers and employees                                |           | (201 111 292)         | (214 218 596)           |
| Finance charges  |           | (2 680 512)           | (2 667 797)             |
| Transfers and Grants                                   |           | (1 021 052)           | (817 005)               |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>              | <b>41</b> | <b>40 510 331</b>     | <b>47 875 822</b>       |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>             |           |                       |                         |
| <b>Receipts</b>  |           |                       |                         |
| Proceeds from sale of Property, Plant and Equipment    |           | 501 683               | 640 725                 |
| <b>Payments</b>  |           |                       |                         |
| Purchase of Investment Property                        |           | -                     | -                       |
| Purchase of Property, Plant and Equipment              |           | (43 619 374)          | (27 499 480)            |
| Purchase of Intangible Assets                          |           | (1 018 571)           | (256 541)               |
| <b>NET CASH USED INVESTING ACTIVITIES</b>              |           | <b>(44 136 262)</b>   | <b>(27 115 296)</b>     |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>             |           |                       |                         |
| <b>Receipts</b>  |           |                       |                         |
| New loans raised                                       |           | 3 550 129             | 1 414 116               |
| Increase in Consumer Deposits                          |           | 141 540               | 150 298                 |
| <b>Payments</b>  |           |                       |                         |
| Loans repaid   |           | (3 834 563)           | (2 514 280)             |
| <b>NET CASH USED FINANCING ACTIVITIES</b>              |           | <b>(142 894)</b>      | <b>(949 867)</b>        |
| <b>NET INCREASE/(DECREASE) IN CASH HELD</b>            |           | <b>(3 768 825)</b>    | <b>19 810 659</b>       |
| Cash and Cash Equivalents at the beginning of the year |           | 22 300 890            | 2 490 231               |
| Cash and Cash Equivalents at the end of the year       |           | 18 532 065            | 22 300 890              |

# CEDERBERG LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDING 30 JUNE 2018

|  | ORIGINAL<br>BUDGET<br>R | ADJUSTMENTS<br>R    | FINAL<br>BUDGET<br>R | ACTUAL<br>R        | ACTUAL<br>VS<br>FINAL BUDGET<br>R |
|--|-------------------------|---------------------|----------------------|--------------------|-----------------------------------|
| <b>STATEMENT OF FINANCIAL POSITION</b>             |                         |                     |                      |                    |                                   |
| Current assets                                     | 41 630 181              | (217 157)           | 41 413 024           | 70 536 821         | 29 123 797                        |
| Non-current assets                                 | 665 765 721             | (35 772 940)        | 629 992 781          | 597 622 718        | (32 370 063)                      |
| Current liabilities                                | 46 534 152              | (707 456)           | 45 826 697           | 100 116 203        | 54 289 506                        |
| Non-current liabilities                            | 113 781 655             | 6 384 023           | 120 165 678          | 93 324 994         | (26 840 685)                      |
| <b>Total Community Wealth</b>                      | <b>547 080 095</b>      | <b>(41 666 665)</b> | <b>505 413 430</b>   | <b>474 718 343</b> | <b>(30 695 087)</b>               |
| <b>STATEMENT OF FINANCIAL PERFORMANCE</b>          |                         |                     |                      |                    |                                   |
| <b>REVENUE</b>                                     |                         |                     |                      |                    |                                   |
| Property rates                                     | 40 870 550              | -                   | 40 870 550           | 41 372 155         | 501 605                           |
| Service Charges                                    | 125 832 858             | -                   | 125 832 858          | 120 342 155        | (5 490 703)                       |
| Investment revenue                                 | 391 125                 | 1 400 000           | 1 791 125            | 1 426 564          | (364 561)                         |
| Transfers recognised - operational                 | 58 056 306              | 6 910 238           | 64 966 544           | 57 682 108         | (7 284 436)                       |
| Other own revenue                                  | 49 799 732              | (14 599 765)        | 35 199 967           | 27 395 215         | (7 804 752)                       |
| <b>Total Revenue (excluding capital transfers)</b> | <b>274 950 571</b>      | <b>(6 289 527)</b>  | <b>268 661 044</b>   | <b>248 218 197</b> | <b>(20 442 847)</b>               |
| <b>EXPENDITURE</b>                                 |                         |                     |                      |                    |                                   |
| Employee costs                                     | 87 718 311              | 5 819 367           | 93 537 678           | 93 658 527         | 120 849                           |
| Remuneration of councillors                        | 4 928 058               | 184 753             | 5 112 811            | 5 293 216          | 180 405                           |
| Debt impairment                                    | 42 939 396              | (4 624 566)         | 38 314 830           | 26 296 551         | (12 018 279)                      |
| Depreciation and asset impairment                  | 17 252 624              | (1 025)             | 17 251 599           | 16 070 013         | (1 181 586)                       |
| Finance charges                                    | 8 544 400               | (938 695)           | 7 605 705            | 8 073 767          | 468 062                           |
| Bulk purchases                                     | 69 234 799              | (154 617)           | 69 080 182           | 68 531 369         | (548 813)                         |
| Other Materials                                    | 7 595 300               | 1 617 148           | 9 212 448            | -                  | (9 212 448)                       |
| Contracted Services                                | 15 500 630              | 8 743 968           | 24 244 598           | -                  | (24 244 598)                      |
| Transfers and grants                               | 870 000                 | 912 562             | 1 782 562            | 1 021 052          | (761 510)                         |
| Other expenditure                                  | 19 683 486              | (941 463)           | 18 742 023           | 50 328 736         | 31 586 713                        |
| Loss on disposal of PPE                            | -                       | -                   | -                    | 50 690             | 50 690                            |
| <b>Total Expenditure</b>                           | <b>274 267 004</b>      | <b>10 617 432</b>   | <b>284 884 436</b>   | <b>269 323 921</b> | <b>(15 560 515)</b>               |
| Surplus/(Deficit)                                  | 683 567                 | (16 906 959)        | (16 223 392)         | (21 105 724)       | (4 882 332)                       |
| Transfers recognised - capital                     | 59 493 693              | 2 188 041           | 61 681 734           | 33 979 081         | (27 702 653)                      |
| Contributions Recognised - Capital                 | -                       | -                   | -                    | 1 046 370          | 1 046 370                         |
| <b>NET SURPLUS FOR THE YEAR</b>                    | <b>60 177 260</b>       | <b>(14 718 918)</b> | <b>45 458 342</b>    | <b>13 919 727</b>  | <b>(31 538 615)</b>               |
| <b>CASH FLOW STATEMENT</b>                         |                         |                     |                      |                    |                                   |
| Net Cash Flow from Operating Activities            | 75 197 945              | (20 222 430)        | 54 975 515           | 40 510 331         | (14 465 184)                      |
| Net Cash Flow from Investing Activities            | (70 634 841)            | (5 882 318)         | (76 517 159)         | (44 136 262)       | 32 380 897                        |
| Net Cash Flow from Financing Activities            | (3 260 115)             | 3 084 694           | (175 421)            | (142 894)          | 32 527                            |
| <b>Net increase in cash and cash equivalents</b>   | <b>1 302 989</b>        | <b>(23 020 055)</b> | <b>(21 717 065)</b>  | <b>(3 768 825)</b> | <b>17 948 240</b>                 |

Refer to note 43.1 for explanations of material variances between the original and final budget.

Refer to note 43.2 for explanations of material variances between actual amounts and the final budget.

Material variances are considered to be any variances greater than R2.5 million.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### **1 ACCOUNTING POLICIES**

#### **1.01 BASIS OF PREPARATION**

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

#### **1.02 TRANSITIONAL PROVISIONS**

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property and Property, Plant and Equipment where the acquisition cost of an asset could not be determined.

#### **1.03 PRESENTATION CURRENCY**

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

#### **1.04 GOING CONCERN ASSUMPTION**

These financial statements have been prepared on a going concern basis.

#### **1.05 COMPARATIVE INFORMATION**

##### **1.05.1 Prior year comparatives**

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

##### **1.05.2 Amended Accounting Policies**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

No significant amendments were made to the accounting policy in the current year.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.06 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

### 1.07 BUDGET INFORMATION

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

### 1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

#### 1.08.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

The Municipality resolved to early adopt the following Standards of GRAP which were issued but are not yet effective:

| Standard | Description               | Effective Date |
|----------|---------------------------|----------------|
| GRAP 20  | Related Party Disclosures | 1 April 2019   |
| GRAP 108 | Statutory Receivables     | 1 April 2019   |

The effect of the above-mentioned Standards of GRAP which were early adopted is considered insignificant. Accounting policies for these Standards of GRAP were already formulated in the prior year's financial statements. The only effect is additional disclosure requirements.

The Municipality resolved to early adopt the following amended Standards of GRAP which were issued but are not yet effective:

| Standard        | Description                              | Effective Date |
|-----------------|--|----------------|
| GRAP 12 (2017)  | Inventories                              | 1 April 2018   |
| GRAP 16 (2017)  | Investment Property                      | 1 April 2018   |
| GRAP 17 (2017)  | Property, Plant and Equipment            | 1 April 2018   |
| GRAP 21 (2017)  | Impairment of non-cash-generating assets | 1 April 2018   |
| GRAP 26 (2017)  | Impairment of cash-generating assets     | 1 April 2018   |
| GRAP 27 (2017)  | Agriculture                              | 1 April 2018   |
| GRAP 31 (2017)  | Intangible Assets                        | 1 April 2018   |
| GRAP 103 (2017) | Heritage Assets                          | 1 April 2018   |

The effect of the above-mentioned amended Standards of GRAP which were early adopted is considered insignificant. The amendments to the Standards of GRAP mainly relate to the clarification of accounting principles.

The Municipality resolved not to early adopt Directive 12 - "The Selection of an Appropriate Reporting Framework by Public Entities" (effective 1 April 2018) as this Directive is not applicable to municipalities and will have no impact on the Municipality once it becomes effective.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

The Municipality further resolved not to early adopt the following Standards of GRAP and Interpretations of the Standard of GRAP which were issued but are not yet effective:

### 1.08.1.1 GRAP 18 - Segment Reporting (effective 1 April 2020)

The objective of this Standard is to establish principles for reporting financial information by segments.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

### 1.08.1.2 GRAP 32 - Service Concession Arrangements: Grantor (effective 1 April 2019)

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

### 1.08.1.3 GRAP 109 - Accounting by Principles and Agents (effective 1 April 2019)

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

No significant impact is expected as the Municipality's current treatment is already in line with the Standard's requirements.

### 1.08.1.4 GRAP 110 - Living and Non-living Resources (effective 1 April 2020)

The objective of this Standard is to prescribe the:

- (a) recognition, measurement, presentation and disclosure requirements for living resources; and
- (b) disclosure requirements for non-living resources.

Preliminary investigations indicated that the Municipality's non-living resources do not fall within the scope of this Standard.

### 1.08.1.5 IGRAP 17 - Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset (effective 1 April 2019)

This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

### 1.08.1.6 Recognition and Derecognition of Land (effective 1 April 2019)

This Interpretation of the Standards of GRAP provides guidance on when an entity should recognise and derecognise land as an asset in its financial statements.

No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation's requirements.

### 1.08.1.7 Liabilities to Pay Levies (effective 1 April 2019)

This Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation's requirements.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.08.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following original Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

#### 1.08.2.1 GRAP 34 - Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

No significant impact is expected as the Municipality has no investments in any entities.

#### 1.08.2.2 GRAP 35 - Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

No significant impact is expected as the Municipality does not control any entities.

#### 1.08.2.3 GRAP 36 - Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

No significant impact is expected as the Municipality does not have investments in any associates or joint ventures.

#### 1.08.2.4 GRAP 37 - Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

No significant impact is expected as the Municipality does not have an interest in any arrangements that are controlled jointly.

#### 1.08.2.5 GRAP 38 - Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- (b) the effects of those interests on its financial position, financial performance and cash flows.

No significant impact is expected as the Municipality does not have an interest in any entities, associates, joint ventures or joint arrangements.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.09 RESERVES

#### 1.09.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR.

The following provisions are set for the creation and utilisation of the CRR:

- (a) The cash funds that back up the CRR are invested until utilised.
- (b) The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- (c) Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the accumulated surplus is credited by a corresponding amount.

### 1.10 INVESTMENT PROPERTY

#### 1.10.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

Where investment property is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

#### 1.10.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### 1.10.3 Depreciation – Cost Model

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

|           | YEARS |
|-----------|-------|
| Buildings | 100   |

### 1.10.4 Impairment

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

### 1.10.5 Derecognition

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

## 1.11 PROPERTY, PLANT AND EQUIPMENT

### 1.11.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.



# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.11.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

### 1.11.3 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

|                             | YEARS   |                                   | YEARS    |
|-----------------------------|---------|-----------------------------------|----------|
| <b>Land and Buildings</b>   |         | <b>Community</b>                  |          |
| Land                        | N/A     | Community Facilities              | 16 - 101 |
| Buildings                   | 9 - 101 | Sport and Recreational Facilities | 20 - 101 |
|                             |         | Work in progress                  | N/A      |
| <b>Infrastructure</b>       |         | <b>Other</b>                      |          |
| Electrical                  | 9 - 115 | Computer Equipment                | 5 - 17   |
| Roads                       | 4 - 50  | Furniture and Office Equipment    | 5 - 31   |
| Sanitation                  | 5 - 60  | Machinery and Equipment           | 5 - 36   |
| Storm Water                 | 4 - 50  | Transport Assets                  | 8 - 26   |
| Water Supply                | 8 - 60  |                                   |          |
| Work in progress            | N/A     |                                   |          |
| <b>Finance lease assets</b> |         |                                   |          |
| Office equipment            | 3 - 11  |                                   |          |
| Transport Assets            | 10      |                                   |          |

### 1.11.4 Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.11.5 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

### 1.12 INTANGIBLE ASSETS

#### 1.12.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

The Municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Internally generated intangible assets are subject to a strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

#### 1.12.2 Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses.

#### 1.12.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

|                   | Years |
|-------------------|-------|
| Computer Software | 6-16  |

### 1.12.4 Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

### 1.12.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## 1.13 IMPAIRMENT OF NON-MONETARY ASSETS

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the asset.

### 1.13.1 Recoverable amount of Cash-generating assets

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

### 1.13.2 Recoverable amount of Non-cash-generating assets

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.13.3 Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.13.4 Reversal of an impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

After the reversal of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

## 1.14 INVENTORIES

### 1.14.1 Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs in bringing the inventories to their current location and condition.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.14.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of allocating cost to inventory items is the first-in-first-out (FIFO) method.

At reporting date, the water volume is determined by way of dip readings and the calculated volume in the distribution network. Water inventory is then measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Cost of land held for sale is assigned by using specific identification of their individual costs.

### 1.15 EMPLOYEE BENEFITS

Defined-contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans.

#### 1.15.1 Post-Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

##### 1.15.1.1 Multi-employer defined benefit plans

The Municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

##### 1.15.1.2 Post Retirement Medical Benefits

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

### **1.15.2 Long-term Benefits**

#### *1.15.2.1 Long Service Awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

### **1.15.3 Short-term Benefits**

#### *1.15.3.1 Staff Leave*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

#### *1.15.3.2 Bonuses*

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

#### *1.15.3.3 Provision for Performance Bonuses*

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

### **1.16 PROVISIONS**

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

### 1.17 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### 1.17.1 Municipality as Lessee

##### 1.17.1.1 Finance Leases

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

##### 1.17.1.2 Operating leases

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

#### 1.17.2 Municipality as Lessor

##### 1.17.2.1 Finance Leases

The Municipality recognises lease payments receivable under a finance lease as assets (receivable) in the Statement of Financial Position. The asset (receivable) is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease.

The asset (receivable) is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis in the Statement of Financial Performance.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.17.2.2 Operating Leases

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

## 1.18 FINANCIAL INSTRUMENTS

### 1.18.1 Initial Recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

### 1.18.2 Subsequent Measurement

Financial instruments are categorised as follow:

- (a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- (b) **Financial instruments at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.
- (c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:
  - (i) derivatives;
  - (ii) combined instruments that are designated at fair value;
  - (iii) instruments held for trading;
  - (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
  - (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

### 1.18.3 Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.



# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.18.3.1 *Financial assets measured at amortised cost*

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

### 1.18.3.2 *Financial assets measured at cost*

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses is not be reversed.

## 1.18.4 **Derecognition of financial instruments**

### 1.18.4.1 *Financial assets*

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### 1.18.4.2 *Financial liabilities*

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

## 1.18.5 **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 1.19 **STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

### 1.19.1 **Initial Recognition**

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.19.2 Subsequent Measurement

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

### 1.19.3 Impairment and uncollectability of statutory receivables

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

### 1.19.4 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

## 1.20 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

## 1.21 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.22 TAXES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

### 1.23 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

### 1.24 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

### 1.25 CONDITIONAL GOVERNMENT GRANTS AND PUBLIC CONTRIBUTIONS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the conditions have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### 1.26 REVENUE

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

#### 1.26.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.26.1.1 *Taxation Revenue*

Taxation revenue comprises of property rates. Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

### 1.26.1.2 *Transfer Revenue*

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

### 1.26.1.3 *Fines*

Fine Revenue constitutes both spot fines and summonses. All fines issued during the year less any cancellations or reductions are recognised as revenue. Any fine reductions or cancellations subsequent to the reported date is recorded as a write-off against the provision raised for debt impairment.

### 1.26.1.4 *Insurance Refund*

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

### 1.26.1.5 *Unclaimed deposits*

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

### 1.26.1.6 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

### 1.26.1.7 *Services in-kind*

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

### 1.26.1.8 *Contributed Assets*

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

## 1.26.2 **Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.26.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity and water are based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at reporting date is recognised as a liability under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property. These service charges are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved and are levied on a monthly basis.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

### 1.26.2.2 Interest earned

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

### 1.26.2.3 Rental income

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

### 1.26.2.4 Income from Agency Services

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

### 1.26.2.5 Other Tariffs

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

### 1.26.2.6 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- (a) The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- (b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- (c) The amount of revenue can be measured reliably.
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.26.2.7 *Deferred payment*

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

### 1.27 **BORROWING COSTS**

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

### 1.28 **UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.29 **IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.30 **FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.31 **CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

### 1.32 **CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.33 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

### 1.34 RELATED PARTIES

The Municipality regards a related party as a person or an entity with the ability to control the Municipality either individually or jointly, or the ability to exercise significant influence over the Municipality, or vice versa.

Management is regarded as a related party and comprises the Councillors, Executive Mayor, Deputy Mayor, Speaker, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms, are disclosed.

### 1.35 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

#### 1.35.1 Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

GRAP implementation date for the Municipality is 1 July 2009 which is also the date applicable when applying Directive 7. The GRAP compliant period is therefore determined to be from 1 July 2009 to the current year's reported date. Where the economic useful life of an item of Property, Plant and Equipment is less than the GRAP compliant period, it is assumed that the item was either incorrectly written off in the past, or that the capital expenditure of the said item was incorrectly included in surplus. In such cases the item shall not be recognised on GRAP implementation date, but shall be taken into account on that date of the opening balances of the comparative amounts.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.35.2 Impairment of Receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

### 1.35.3 Useful lives and residual values

The useful lives of assets are based on management's estimates. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

### 1.35.4 Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property and Intangible assets.

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

### 1.35.5 Post-Retirement and Long-term Benefits

The cost of post retirement medical benefits and long-service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

### 1.35.6 Provisions and Contingent Liabilities

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthwork as published by Statistics South Africa.

### 1.35.7 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

### 1.35.8 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.



# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

Figures in Rand

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### CASH AND CASH EQUIVALENTS

|                          |            |            |
|--------------------------|------------|------------|
| Bank Accounts            | 8 510 051  | 2 859 556  |
| Call Investment Deposits | 10 016 900 | 19 433 004 |
| Cash Floats              | 5 114      | 8 330      |

|              |                   |                   |
|--------------|-------------------|-------------------|
| <b>Total</b> | <b>18 532 065</b> | <b>22 300 890</b> |
|--------------|-------------------|-------------------|

Due to the short term nature of cash deposits, all balances included above are in line with their fair values.

Cash and Cash Equivalents are held to support the following commitments:

|  |              |              |
|--|--------------|--------------|
| Unspent Conditional Grants   | 33 460 083   | 32 314 994   |
| VAT  | -            | 842 513      |
| Shortfall on working capital requirements - refer to note 56 on financial sustainability | (14 928 018) | (10 856 617) |

|  |                   |                   |
|--|-------------------|-------------------|
| <b>Total Cash and Cash Equivalents</b> | <b>18 532 065</b> | <b>22 300 890</b> |
|--|-------------------|-------------------|

|                                   |           |           |
|-----------------------------------|-----------|-----------|
| Overdraft facility with ABSA Bank | 6 000 000 | 6 000 000 |
|-----------------------------------|-----------|-----------|

### Bank Accounts

Detail of the Bank Accounts (Cash book balances) are as follow:

|  |           |           |
|--|-----------|-----------|
| Cash book balance at beginning of year | 2 859 556 | 2 308 965 |
| Cash book balance at end of year       | 8 510 051 | 2 859 556 |

Bank accounts consists out of the following accounts:

#### **ABSA - Account number 40-5357-8397 (Current Account)**

|   |           |           |
|---|-----------|-----------|
| Bank statement balance at beginning of year | 2 320 540 | 1 730 796 |
| Bank statement balance at end of year       | 8 153 573 | 2 320 540 |

#### **ABSA - Account number 40-7639-1003 (Traffic Account)**

|   |   |   |
|---|---|---|
| Bank statement balance at beginning of year | - | - |
| Bank statement balance at end of year       | - | - |

#### **ABSA - Account number 40-7639-1273 (Service Account)**

|   |   |   |
|---|---|---|
| Bank statement balance at beginning of year | - | - |
| Bank statement balance at end of year       | - | - |

#### **ABSA - Account number 40-7873-7035 (Elands Bay Fish Factory Account)**

|   |   |   |
|---|---|---|
| Bank statement balance at beginning of year | - | - |
| Bank statement balance at end of year       | - | - |

#### **Standard Bank - Account number 082163324 (Eskom Guarantee Account)**

|   |        |        |
|---|--------|--------|
| Bank statement balance at beginning of year | 15 655 | 25 595 |
| Bank statement balance at end of year       | 13 275 | 15 655 |

#### **Summary of all bank accounts**

|   |           |           |
|---|-----------|-----------|
| Bank statement balance at beginning of year | 2 336 195 | 1 756 390 |
| Bank statement balance at end of year       | 8 166 848 | 2 336 195 |

### Call Investment Deposits

Call investment deposits consist out of the following accounts:

|                          |            |            |
|--------------------------|------------|------------|
| ABSA - Acc no 9282399664 | 10 016 900 | 19 433 004 |
|--------------------------|------------|------------|

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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### 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

#### Service Receivables

|             |            |            |
|-------------|------------|------------|
| Electricity | 17 703 484 | 13 513 923 |
| Water       | 25 899 344 | 21 330 612 |
| Refuse      | 9 679 957  | 7 628 866  |
| Sewerage    | 13 110 306 | 9 319 106  |
| Other       | 3 644 893  | 5 130 037  |

#### Total Gross Balance

70 037 983 56 922 544

Less: Allowance for Debt Impairment

(39 730 768) (30 449 268)

#### Total Net Receivable

30 307 216 26 473 276

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary. Interest of prime +1% is levied on late payments.

#### Reconciliation of Allowance for Debt Impairment

|   |             |             |
|---|-------------|-------------|
| Balance at the beginning of the year          | 30 449 268  | 23 023 325  |
| Movement in the contribution to the provision | 16 922 625  | 14 530 389  |
| Bad Debts Written off                         | (7 641 125) | (7 104 447) |
| Balance at the end of the year                | 39 730 768  | 30 449 268  |

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over the last 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

|                            | Gross Balance<br>R | Allowance for Debt<br>Impairment<br>R | Net Receivable<br>R |
|----------------------------|--------------------|---------------------------------------|---------------------|
| <b>30 June 2018</b>        |                    |                                       |                     |
| <b>Service Receivables</b> |                    |                                       |                     |
| Electricity                | 17 703 484         | (5 435 315)                           | 12 268 169          |
| Water                      | 25 899 344         | (17 714 825)                          | 8 184 520           |
| Refuse                     | 9 679 957          | (7 249 629)                           | 2 430 328           |
| Sewerage                   | 13 110 306         | (8 075 934)                           | 5 034 371           |
| Other                      | 3 644 893          | (1 255 065)                           | 2 389 828           |
| <b>Total</b>               | <b>70 037 983</b>  | <b>(39 730 768)</b>                   | <b>30 307 216</b>   |
| <b>30 June 2017</b>        |                    |                                       |                     |
| <b>Service Receivables</b> |                    |                                       |                     |
| Electricity                | 13 513 923         | (2 701 239)                           | 10 812 684          |
| Water                      | 21 330 612         | (12 882 786)                          | 8 447 826           |
| Refuse                     | 7 628 866          | (4 893 108)                           | 2 735 758           |
| Sewerage                   | 9 319 106          | (5 951 870)                           | 3 367 236           |
| Other                      | 5 130 037          | (4 020 265)                           | 1 109 773           |
| <b>Total</b>               | <b>56 922 544</b>  | <b>(30 449 268)</b>                   | <b>26 473 276</b>   |

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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### 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

#### Ageing of Receivables from Exchange Transactions

##### Electricity

|                         |                   |                   |
|-------------------------|-------------------|-------------------|
| Current (0 - 30 days)   | 7 508 819         | 6 982 803         |
| Past Due (31 - 60 Days) | 1 945 594         | 1 176 308         |
| Past Due (61 - 90 Days) | 956 634           | 604 148           |
| Past Due (90 Days +)    | 7 292 437         | 4 750 665         |
| <b>Total</b>            | <b>17 703 484</b> | <b>13 513 923</b> |

##### Water

|                         |                   |                   |
|-------------------------|-------------------|-------------------|
| Current (0 - 30 days)   | 3 047 088         | 2 713 711         |
| Past Due (31 - 60 Days) | 1 366 540         | 1 111 355         |
| Past Due (61 - 90 Days) | 1 266 210         | 991 656           |
| Past Due (90 Days +)    | 20 219 507        | 16 513 889        |
| <b>Total</b>            | <b>25 899 344</b> | <b>21 330 612</b> |

##### Refuse

|                         |                  |                  |
|-------------------------|------------------|------------------|
| Current (0 - 30 days)   | 747 178          | 652 557          |
| Past Due (31 - 60 Days) | 527 591          | 439 490          |
| Past Due (61 - 90 Days) | 438 463          | 364 730          |
| Past Due (90 Days +)    | 7 966 724        | 6 172 089        |
| <b>Total</b>            | <b>9 679 957</b> | <b>7 628 866</b> |

##### Sewerage

|                         |                   |                  |
|-------------------------|-------------------|------------------|
| Current (0 - 30 days)   | 980 185           | 804 090          |
| Past Due (31 - 60 Days) | 843 976           | 541 854          |
| Past Due (61 - 90 Days) | 780 406           | 380 942          |
| Past Due (90 Days +)    | 10 505 738        | 7 592 221        |
| <b>Total</b>            | <b>13 110 306</b> | <b>9 319 106</b> |

##### Other

|                         |                  |                  |
|-------------------------|------------------|------------------|
| Current (0 - 30 days)   | 65 959           | 203 689          |
| Past Due (31 - 60 Days) | 454 256          | 154 479          |
| Past Due (61 - 90 Days) | 485 523          | 204 508          |
| Past Due (90 Days +)    | 2 639 154        | 4 567 361        |
| <b>Total</b>            | <b>3 644 893</b> | <b>5 130 037</b> |

#### Summary Ageing of all Receivables from Exchange Transactions

|                         |                   |                   |
|-------------------------|-------------------|-------------------|
| Current (0 - 30 days)   | 12 349 229        | 11 356 851        |
| Past Due (31 - 60 Days) | 5 137 958         | 3 423 486         |
| Past Due (61 - 90 Days) | 3 927 236         | 2 545 984         |
| Past Due (90 Days +)    | 48 623 560        | 39 596 224        |
| <b>Total</b>            | <b>70 037 983</b> | <b>56 922 544</b> |

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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### RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

#### Service Receivables

Property Rates

26 201 916

23 356 741

#### Other Receivables

42 179 963

30 662 248

Unpaid Traffic Fines

38 088 181

26 725 510

Suspense Debtors

931 832

790 018

Deposits

3 159 950

3 146 720

#### Total Gross Balance

68 381 879

54 018 989

Less: Allowance for Debt Impairment

(51 265 880)

(40 825 698)

#### Total Net Receivable

17 115 999

13 193 292

Rates are payable monthly within 30 days after the date of accounts. An option to pay rates annually is also available and the account must be settled on or before 30 September. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary. Interest of prime +1% is levied on late payments.

#### Reconciliation of Allowance for Debt Impairment

Balance at the beginning of the year

40 825 698

24 232 970

Movement in the contribution to the provision

11 733 532

18 680 219

Bad Debts Written off

(1 293 350)

(2 087 491)

Balance at the end of the year

51 265 880

40 825 698

The Allowance for impairment of receivables has been made for all consumer balances outstanding based on the payment ratio over the last 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

|                            | Gross Balance<br>R | Allowance for Debt<br>Impairment<br>R | Net Receivable<br>R |
|----------------------------|--------------------|---------------------------------------|---------------------|
| <b>30 June 2018</b>        |                    |                                       |                     |
| <b>Service Receivables</b> |                    |                                       |                     |
| Property Rates             | 26 201 916         | (14 740 370)                          | 11 461 546          |
| <b>Other Receivables</b>   |                    |                                       |                     |
| Unpaid Traffic Fines       | 38 088 181         | (36 525 510)                          | 1 562 671           |
| Suspense Debtors           | 931 832            | -                                     | 931 832             |
| Deposits                   | 3 159 950          | -                                     | 3 159 950           |
| <b>Total</b>               | <b>68 381 879</b>  | <b>(51 265 880)</b>                   | <b>17 115 999</b>   |
| <b>30 June 2017</b>        |                    |                                       |                     |
| <b>Service Receivables</b> |                    |                                       |                     |
| Property Rates             | 23 356 741         | (16 449 866)                          | 6 906 875           |
| <b>Other Receivables</b>   |                    |                                       |                     |
| Unpaid Traffic Fines       | 26 725 510         | (24 375 831)                          | 2 349 679           |
| Suspense Debtors           | 790 018            | -                                     | 790 018             |
| Deposits                   | 3 146 720          | -                                     | 3 146 721           |
| <b>Total</b>               | <b>54 018 989</b>  | <b>(40 825 698)</b>                   | <b>13 193 292</b>   |

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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### 4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

#### Ageing of Receivables from Non-Exchange Transactions

##### Property Rates

|                         |                   |                   |
|-------------------------|-------------------|-------------------|
| Current (0 - 30 days)   | 2 477 192         | 2 242 026         |
| Past Due (31 - 60 Days) | 1 499 400         | 1 479 046         |
| Past Due (61 - 90 Days) | 1 049 875         | 1 009 487         |
| Past Due (90 Days +)    | 21 175 449        | 18 626 182        |
| <b>Total</b>            | <b>26 201 916</b> | <b>23 356 741</b> |

### 5 TAXES

|  |              |             |
|--|--------------|-------------|
| VAT Receivable/(Payable)                   | 2 890 228    | (1 756 773) |
| VAT Input in Suspense                      | 4 775 281    | 5 462 154   |
| VAT Output in Suspense - net               | (4 540 154)  | (4 547 894) |
| VAT Output in Suspense                     | (10 149 362) | (7 797 495) |
| Less: VAT on Allowance for Debt Impairment | 5 609 208    | 3 249 601   |

|              |                  |                  |
|--------------|------------------|------------------|
| <b>Total</b> | <b>3 125 355</b> | <b>(842 513)</b> |
|--------------|------------------|------------------|

|   |  |           |
|---|--|-----------|
| As previously reported                      |  | (743 662) |
| Correction of error restatement - note 39.1 |  | (98 850)  |
| Restated balance                            |  | (842 513) |

#### Reconciliation of VAT on Allowance for Debt Impairment

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Balance at beginning of year     | 3 249 601        | 2 365 932        |
| Debt Impairment for current year | 2 359 607        | 883 669          |
| Balance at the end of the year   | <b>5 609 208</b> | <b>3 249 601</b> |

### 6 OPERATING LEASES

#### 6.1 OPERATING LEASE ASSETS

|                       |              |              |
|-----------------------|--------------|--------------|
| Operating Lease Asset | <b>4 256</b> | <b>7 794</b> |
|-----------------------|--------------|--------------|

The operating lease asset is derived from contracts where the Municipality acts as the lessor in the agreement.

#### Reconciliation of Operating Lease Asset

|                                      |              |              |
|--------------------------------------|--------------|--------------|
| Balance at the beginning of the year | 7 794        | 3 965        |
| Movement during the year             | (3 538)      | 3 829        |
| Balance at the end of the year       | <b>4 256</b> | <b>7 794</b> |

#### The Municipality will receive the following lease payments from contracts that have defined lease payments and terms.

|                                       |               |                |
|---------------------------------------|---------------|----------------|
| Within 1 Year                         | 91 085        | 148 790        |
| Between 1 and 5 Years                 | -             | 76 630         |
| After 5 Years                         | -             | -              |
| <b>Total operating lease payments</b> | <b>91 085</b> | <b>225 419</b> |

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased. Escalation between 6 and 10% are applicable on the leases. The renewal option after lapsing of the contracts are available.

The Municipality does not engage in any sub-lease arrangements nor did the Municipality receive any contingent rent during the year.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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### 6 OPERATING LEASES (CONTINUED)

#### 6.2 OPERATING LEASE LIABILITIES

|                           |               |               |
|---------------------------|---------------|---------------|
| Operating Lease Liability | <b>10 561</b> | <b>25 276</b> |
|---------------------------|---------------|---------------|

The operating lease liability is derived from contracts where the Municipality acts as the lessee in the agreement.

#### Reconciliation of Operating Lease Liability

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| Balance at the beginning of the year | 25 276        | 23 526        |
| Movement during the year             | (14 715)      | 1 750         |
| Balance at the end of the year       | <b>10 561</b> | <b>25 276</b> |

The Municipality will incur the following lease expenditure from contracts that have defined lease payments and terms.

|                                |                |                |
|--------------------------------|----------------|----------------|
| Within 1 Year                  | 21 900         | 232 409        |
| Between 1 and 5 Years          | 96 716         | 92 997         |
| After 5 Years                  | -              | 25 620         |
| Total operating lease payments | <b>118 616</b> | <b>351 025</b> |

Operating leases consist out of the following leases:

- Lease of office space for a period of 36 months (ending June 2018) with an escalation of 8% per annum.
- Lease of a swimming pool for a period of 120 months (ending June 2023) with an escalation of 4% per annum.

The Municipality does not engage in any sub-lease arrangements.

The Municipality did not pay any contingent rent during the year.

### 7 INVENTORY

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| Maintenance Materials - at cost | 1 314 925        | 1 076 084        |
| Water – at cost                 | 137 006          | 128 999          |
| <b>Total</b>                    | <b>1 451 931</b> | <b>1 205 083</b> |

|   |                  |
|---|------------------|
| As previously reported                      | 2 436 678        |
| Correction of error restatement - note 39.1 | (1 231 595)      |
| Restated balance                            | <b>1 205 083</b> |

Inventory are disclosed at the lower of cost or net realisable value.

No inventory were pledged as security for liabilities.

|   |                  |                |
|---|------------------|----------------|
| Inventory written down due to losses identified during the annual stores counts | 33 222           | 559            |
| Inventory recognised as an expense during the year                              | <b>1 962 501</b> | <b>704 808</b> |

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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### INVESTMENT PROPERTY

|   |                   |                   |
|---|-------------------|-------------------|
| Investment Property - Carrying Value        | <b>80 157 437</b> | <b>80 473 087</b> |
| As previously reported                      |                   | 74 946 252        |
| Correction of error restatement - note 39.1 |                   | 1 142 495         |
| Correction of error restatement - note 39.2 |                   | 4 384 340         |
| Restated balance                            |                   | <b>80 473 087</b> |

The carrying value of Investment Property is reconciled as follows:

|                               |                   |                   |
|-------------------------------|-------------------|-------------------|
| <b>Opening Carrying Value</b> | <b>80 473 087</b> | <b>80 525 337</b> |
| Cost                          | 80 943 076        | 80 943 076        |
| Accumulated Depreciation      | (469 989)         | (417 739)         |
| Additions                     | -                 | -                 |
| Depreciation for the year     | (52 250)          | (52 250)          |
| Disposals                     | (263 400)         | -                 |
| <b>Closing Carrying Value</b> | <b>80 157 437</b> | <b>80 473 087</b> |
| Cost                          | 80 679 676        | 80 943 076        |
| Accumulated Depreciation      | (522 239)         | (469 989)         |

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

No operating expenditure was incurred on investment property during the 2017/18 and 2016/17 financial year.

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### PROPERTY, PLANT AND EQUIPMENT

|   | Cost<br>R          | Accumulated<br>Depreciation<br>R | Accumulated<br>Impairment<br>R | Carrying<br>Value<br>R |
|---|--------------------|----------------------------------|--------------------------------|------------------------|
| <b>30 June 2018</b>   |                    |                                  |                                |                        |
| Land and Buildings  | 22 292 759         | (968 776)                        | -                              | 21 323 983             |
| Infrastructure  | 649 507 511        | (251 627 754)                    | -                              | 397 879 757            |
| Leased Assets   | 5 276 289          | (598 759)                        | -                              | 4 677 530              |
| Community Assets  | 71 500 164         | (3 958 018)                      | -                              | 67 542 147             |
| Other Assets  | 27 934 247         | (12 912 060)                     | -                              | 15 022 187             |
| <b>Total</b>  | <b>776 510 971</b> | <b>(270 065 366)</b>             | <b>-</b>                       | <b>506 445 605</b>     |
| <b>30 June 2017</b>   |                    |                                  |                                |                        |
| Land and Buildings  | 22 071 479         | (844 499)                        | -                              | 25 734 705             |
| Infrastructure  | 617 107 133        | (240 445 790)                    | -                              | 375 174 747            |
| Leased Assets   | 2 116 802          | (232 751)                        | -                              | 1 884 052              |
| Community Assets  | 64 646 047         | (3 409 193)                      | -                              | 58 912 468             |
| Other Assets  | 26 458 036         | (11 153 888)                     | -                              | 14 607 402             |
| <b>Total</b>  | <b>732 399 498</b> | <b>(256 086 120)</b>             | <b>-</b>                       | <b>476 313 374</b>     |
| As previously reported  |                    |                                  |                                | 495 426 531            |
| Reclassification - note 40.2                                      |                    |                                  |                                | (14 757 018)           |
| Correction of error restatement - note 39.2                       |                    |                                  |                                | (4 356 139)            |
| Restated balance  |                    |                                  |                                | <b>476 313 374</b>     |
| Repairs and maintenance incurred on Property, Plant and Equipment |                    |                                  | 13 577 456                     | 9 658 844              |

The prior year balance for Repairs and Maintenance was restated.

The leased property, plant and equipment and the buildings are secured as set out in note 12.

The reconciliation of the carrying value of Property, Plant and Equipment is disclosed on the following page:

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Reconciliation of Carrying Value  | Cost               |                   |                  |                    |                            |                    | Accumulated Depreciation and Impairment |                     |                       |                  |                    | Carrying Value     |
|-----------------------------------|--------------------|-------------------|------------------|--------------------|----------------------------|--------------------|---|---------------------|-----------------------|------------------|--------------------|--------------------|
| 30 June 2018                      | Opening Balance    | Additions         | Disposals        | Transfer of Assets | Transfer to Capital Assets | Closing Balance    | Opening Balance                         | Depreciation Charge | Impairment (Reversal) | Disposals        | Closing Balance    |                    |
|                                   | R                  | R                 | R                | R                  | R                          | R                  | R                                       | R                   | R                     | R                | R                  | R                  |
| <b>Land and Buildings</b>         | <b>22 071 479</b>  | <b>221 280</b>    | -                | -                  | -                          | <b>22 292 759</b>  | <b>844 499</b>                          | <b>124 276</b>      | -                     | -                | <b>968 776</b>     | <b>21 323 983</b>  |
| Land                              | 8 184 902          | -                 | -                | -                  | -                          | 8 184 902          | -                                       | -                   | -                     | -                | -                  | 8 184 902          |
| Buildings                         | 13 886 577         | 221 280           | -                | -                  | -                          | 14 107 857         | 844 499                                 | 124 276             | -                     | -                | 968 776            | 13 139 081         |
| <b>Infrastructure</b>             | <b>617 107 133</b> | <b>32 547 059</b> | <b>(146 681)</b> | -                  | -                          | <b>649 507 511</b> | <b>240 445 790</b>                      | <b>11 283 609</b>   | -                     | <b>(101 646)</b> | <b>251 627 754</b> | <b>397 879 757</b> |
| Electrical                        | 139 676 010        | -                 | (33 217)         | -                  | 10 134 267                 | 149 777 061        | 77 243 334                              | 3 054 006           | -                     | (24 841)         | 80 272 498         | 69 504 562         |
| Roads                             | 111 770 298        | -                 | -                | -                  | 210 742                    | 111 981 040        | 61 379 906                              | 3 247 451           | -                     | -                | 64 627 357         | 47 353 683         |
| Sanitation                        | 75 412 636         | -                 | (31 207)         | -                  | 142 815                    | 75 524 244         | 34 437 157                              | 1 763 103           | -                     | (31 203)         | 36 169 058         | 39 355 186         |
| Storm Water                       | 17 690 755         | -                 | -                | -                  | -                          | 17 690 755         | 4 849 617                               | 348 450             | -                     | -                | 5 198 067          | 12 492 689         |
| Water Supply                      | 117 089 023        | -                 | (82 257)         | -                  | 679 467                    | 117 686 234        | 62 535 777                              | 2 870 598           | -                     | (45 602)         | 65 360 774         | 52 325 460         |
| Work in progress                  | 155 468 410        | 32 547 059        | -                | -                  | (11 167 292)               | 176 848 177        | -                                       | -                   | -                     | -                | -                  | 176 848 177        |
| <b>Leased Assets</b>              | <b>2 116 802</b>   | <b>3 159 487</b>  | -                | -                  | -                          | <b>5 276 289</b>   | <b>232 751</b>                          | <b>366 008</b>      | -                     | -                | <b>598 759</b>     | <b>4 677 530</b>   |
| Furniture and Office Equipment    | 875 650            | -                 | -                | -                  | -                          | 875 650            | 232 751                                 | 154 590             | -                     | -                | 387 341            | 488 309            |
| Transport Assets                  | 1 241 152          | 3 159 487         | -                | -                  | -                          | 4 400 639          | -                                       | 211 418             | -                     | -                | 211 418            | 4 189 221          |
| <b>Community Assets</b>           | <b>64 646 047</b>  | <b>6 558 109</b>  | <b>(100 361)</b> | <b>396 370</b>     | -                          | <b>71 500 164</b>  | <b>3 409 193</b>                        | <b>557 098</b>      | -                     | <b>(8 273)</b>   | <b>3 958 018</b>   | <b>67 542 147</b>  |
| Community Facilities              | 16 490 513         | 13 140            | -                | -                  | -                          | 16 503 653         | 663 268                                 | 130 140             | -                     | -                | 793 407            | 15 710 246         |
| Sport and Recreational Facilities | 46 825 823         | 475 854           | (100 361)        | 396 370            | 257 378                    | 47 855 064         | 2 745 925                               | 426 958             | -                     | (8 273)          | 3 164 610          | 44 690 453         |
| Work in progress                  | 1 329 710          | 6 069 115         | -                | -                  | (257 378)                  | 7 141 447          | -                                       | -                   | -                     | -                | -                  | 7 141 447          |
| <b>Other Assets</b>               | <b>26 458 036</b>  | <b>1 133 440</b>  | <b>(307 229)</b> | <b>650 000</b>     | -                          | <b>27 934 247</b>  | <b>11 153 888</b>                       | <b>1 914 734</b>    | -                     | <b>(156 561)</b> | <b>12 912 060</b>  | <b>15 022 187</b>  |
| Computer Equipment                | 2 338 205          | 308 713           | (117 482)        | -                  | -                          | 2 529 436          | 1 046 214                               | 297 054             | -                     | (45 761)         | 1 297 507          | 1 231 929          |
| Furniture and Office Equipment    | 5 976 308          | 469 787           | (97 431)         | -                  | -                          | 6 348 664          | 2 763 801                               | 435 052             | -                     | (57 219)         | 3 141 634          | 3 207 030          |
| Machinery and Equipment           | 8 406 356          | 354 939           | (92 316)         | -                  | -                          | 8 668 979          | 3 862 668                               | 629 131             | -                     | (53 582)         | 4 438 218          | 4 230 761          |
| Transport Assets                  | 9 737 168          | -                 | -                | 650 000            | -                          | 10 387 168         | 3 481 204                               | 553 497             | -                     | -                | 4 034 701          | 6 352 467          |
|                                   | <b>732 399 498</b> | <b>43 619 374</b> | <b>(554 271)</b> | <b>1 046 370</b>   | -                          | <b>776 510 971</b> | <b>256 086 120</b>                      | <b>14 245 725</b>   | -                     | <b>(266 480)</b> | <b>270 065 366</b> | <b>506 445 605</b> |



# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Reconciliation of Carrying Value  | Cost               |                   |                    |                    |                            |                    | Accumulated Depreciation and Impairment |                     |                       |                    |                    | Carrying Value     |
|-----------------------------------|--------------------|-------------------|--------------------|--------------------|----------------------------|--------------------|---|---------------------|-----------------------|--------------------|--------------------|--------------------|
|                                   | Opening Balance    | Additions         | Disposals          | Transfer of Assets | Transfer to Capital Assets | Closing Balance    | Opening Balance                         | Depreciation Charge | Impairment (Reversal) | Disposals          | Closing Balance    |                    |
| 30 June 2017                      | R                  | R                 | R                  | R                  | R                          | R                  | R                                       | R                   | R                     | R                  | R                  | R                  |
| <b>Land and Buildings</b>         | <b>21 982 869</b>  | <b>88 610</b>     | -                  | -                  | -                          | <b>22 071 479</b>  | <b>724 983</b>                          | <b>119 516</b>      | -                     | -                  | <b>844 499</b>     | <b>21 226 980</b>  |
| Land                              | 8 184 902          | -                 | -                  | -                  | -                          | 8 184 902          | -                                       | -                   | -                     | -                  | -                  | 8 184 902          |
| Buildings                         | 13 797 967         | 88 610            | -                  | -                  | -                          | 13 886 577         | 724 983                                 | 119 516             | -                     | -                  | 844 499            | 13 042 078         |
| <b>Infrastructure</b>             | <b>593 691 989</b> | <b>23 442 099</b> | <b>(26 955)</b>    | -                  | -                          | <b>617 107 133</b> | <b>229 245 441</b>                      | <b>11 205 118</b>   | -                     | <b>(4 769)</b>     | <b>240 445 790</b> | <b>376 661 343</b> |
| Electrical                        | 139 327 378        | -                 | -                  | -                  | 348 633                    | 139 676 010        | 74 203 313                              | 3 040 021           | -                     | -                  | 77 243 334         | 62 432 676         |
| Roads                             | 111 770 298        | -                 | -                  | -                  | -                          | 111 770 298        | 58 133 156                              | 3 246 749           | -                     | -                  | 61 379 906         | 50 390 392         |
| Sanitation                        | 75 374 791         | -                 | -                  | -                  | 37 845                     | 75 412 636         | 32 693 617                              | 1 743 540           | -                     | -                  | 34 437 157         | 40 975 480         |
| Storm Water                       | 17 690 755         | -                 | -                  | -                  | -                          | 17 690 755         | 4 501 166                               | 348 450             | -                     | -                  | 4 849 617          | 12 841 139         |
| Water Supply                      | 116 891 160        | 176 727           | (26 955)           | -                  | 48 091                     | 117 089 023        | 59 714 189                              | 2 826 357           | -                     | (4 769)            | 62 535 777         | 54 553 246         |
| Work in progress                  | 132 637 606        | 23 265 372        | -                  | -                  | (434 569)                  | 155 468 410        | -                                       | -                   | -                     | -                  | -                  | 155 468 410        |
| <b>Leased Assets</b>              | <b>910 974</b>     | <b>1 738 592</b>  | <b>(532 764)</b>   | -                  | -                          | <b>2 116 802</b>   | <b>479 272</b>                          | <b>172 029</b>      | -                     | <b>(418 551)</b>   | <b>232 751</b>     | <b>1 884 052</b>   |
| Furniture and Office Equipment    | 910 974            | 497 440           | (532 764)          | -                  | -                          | 875 650            | 479 272                                 | 172 029             | -                     | (418 551)          | 232 751            | 642 899            |
| Transport Assets                  | -                  | 1 241 152         | -                  | -                  | -                          | 1 241 152          | -                                       | -                   | -                     | -                  | -                  | 1 241 152          |
| <b>Community Assets</b>           | <b>63 616 695</b>  | <b>1 040 553</b>  | <b>(11 202)</b>    | -                  | -                          | <b>64 646 047</b>  | <b>2 881 941</b>                        | <b>527 251</b>      | -                     | -                  | <b>3 409 193</b>   | <b>61 236 854</b>  |
| Community Facilities              | 16 145 872         | 344 641           | -                  | -                  | -                          | 16 490 513         | 539 248                                 | 124 020             | -                     | -                  | 663 268            | 15 827 246         |
| Sport and Recreational Facilities | 46 335 459         | 490 364           | -                  | -                  | -                          | 46 825 823         | 2 342 693                               | 403 232             | -                     | -                  | 2 745 925          | 44 079 898         |
| Work in progress                  | 1 135 364          | 205 548           | (11 202)           | -                  | -                          | 1 329 710          | -                                       | -                   | -                     | -                  | -                  | 1 329 710          |
| <b>Other Assets</b>               | <b>27 237 233</b>  | <b>1 687 064</b>  | <b>(2 827 964)</b> | -                  | <b>361 702</b>             | <b>26 458 036</b>  | <b>10 745 959</b>                       | <b>1 820 857</b>    | -                     | <b>(1 412 928)</b> | <b>11 153 888</b>  | <b>15 304 149</b>  |
| Computer Equipment                | 1 816 202          | 591 211           | (69 208)           | -                  | -                          | 2 338 205          | 932 212                                 | 172 774             | -                     | (58 773)           | 1 046 214          | 1 291 991          |
| Furniture and Office Equipment    | 5 939 605          | 222 677           | (185 974)          | -                  | -                          | 5 976 308          | 2 520 532                               | 373 435             | -                     | (130 166)          | 2 763 801          | 3 212 506          |
| Machinery and Equipment           | 8 262 278          | 317 209           | (173 131)          | -                  | -                          | 8 406 356          | 3 396 417                               | 572 973             | -                     | (106 722)          | 3 862 668          | 4 543 687          |
| Transport Assets                  | 11 219 149         | 555 968           | (2 399 652)        | -                  | 361 702                    | 9 737 168          | 3 896 797                               | 701 675             | -                     | (1 117 268)        | 3 481 204          | 6 255 964          |
|                                   | <b>707 439 761</b> | <b>27 996 920</b> | <b>(3 398 885)</b> | -                  | <b>361 702</b>             | <b>732 399 498</b> | <b>244 077 596</b>                      | <b>13 844 772</b>   | -                     | <b>(1 836 247)</b> | <b>256 086 120</b> | <b>476 313 377</b> |

The sub-classes layout of the reconciliation were changed from the prior year in order to comply with GRAP and reporting requirements.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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**2018**

**2017**

### 10 INTANGIBLE ASSETS

Intangible Assets - Carrying Value

**1 319 342**

**354 433**

The carrying value of intangible Assets is reconciled as follows:

#### Opening Carrying Value

**354 433**

**148 674**

Cost

510 995

396 159

Work in Progress

140 400

-

Accumulated Depreciation

(296 962)

(247 485)

Additions

11 165

116 141

Additions - Work in Progress

1 007 406

140 400

Amortisation

(52 481)

(50 260)

Disposal

(1 181)

(522)

Cost

(3 541)

(1 305)

Accumulated Depreciation

2 360

783

#### Closing Carrying Value

**1 319 342**

**354 433**

Cost

518 619

510 995

Work in Progress

1 147 806

140 400

Accumulated Depreciation

(347 083)

(296 962)

Work in progress is included in the carrying value of Intangible Assets. No amortisation is recognised against these amounts. The work in progress balance relates to the Phoenix (Vesta) Financial System in process of being implemented at the Municipality at year-end. This implementation is required to ensure compliance with the mSCOA regulations that came into effect 1 July 2017. Management expects that full implementation will be completed during 2018/19. Once fully implemented, the assets are considered ready for use in line with management's expectations.

Intangible Assets consist only out of software.

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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### CAPITALISED RESTORATION COST (PPE)

|   | 2018             | 2017              |
|---|------------------|-------------------|
| Capitalised Restoration Cost - Carrying Value | <b>9 700 334</b> | <b>14 757 018</b> |
| As previously reported                        |                  | -                 |
| Reclassification - note 40.2                  |                  | 14 757 018        |
| Restated balance                              |                  | <b>14 757 018</b> |

The movement in capitalised restoration cost is reconciled as follows:

#### Opening Carrying Value

|                           | 14 757 018   | 16 850 922   |
|---------------------------|--------------|--------------|
| Cost                      | 27 713 363   | 27 746 936   |
| Accumulated Depreciation  | (12 954 691) | (10 848 326) |
| Accumulated Impairments   | (1 653)      | (47 688)     |
| Disposals                 | (3 338 780)  | (33 573)     |
| Depreciation for the year | (1 719 557)  | (2 106 365)  |
| Reversal of impairments   | 1 653        | 46 034       |

#### Closing Carrying Value

|                          | 9 700 334    | 14 757 018   |
|--------------------------|--------------|--------------|
| Cost                     | 24 374 583   | 27 713 363   |
| Accumulated Depreciation | (14 674 249) | (12 954 691) |
| Accumulated Impairments  | -            | (1 653)      |

The Municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of the Cederberg Municipality.

Although this item is accounted for under the Property Plant and Equipment Standard (GRAP 17), the characteristics and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost is disclosed as a separate item on the face of the Statement of Financial Position.

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### LONG-TERM LIABILITIES

|  |                   |                   |
|--|-------------------|-------------------|
| Annuity Loans                                  | 17 608 751        | 20 105 233        |
| Finance Lease Liabilities                      | 4 158 402         | 1 946 353         |
| <b>Sub-Total</b>                               | <b>21 767 153</b> | <b>22 051 586</b> |
| Less: Current portion of Long-term Liabilities | <b>3 399 988</b>  | <b>3 039 169</b>  |
| Annuity Loans                                  | 2 452 071         | 2 495 702         |
| Finance Lease Liabilities                      | 947 917           | 543 467           |
| <b>Total</b>                                   | <b>18 367 165</b> | <b>19 012 417</b> |

#### Annuity Loans

Annuity Loans, disclosed at amortised cost, consist out of the following agreements:

| Institution and loan number  | Rate   | Maturity Date | Carrying Value of Liability |                   |
|------------------------------|--------|---------------|-----------------------------|-------------------|
| ABSA (038-723-0991)          | 9.84%  | 30 Sep 2018   | 285 189                     | 820 335           |
| ABSA (038-723-0992)          | 9.84%  | 1 April 2025  | 2 383 078                   | 2 609 204         |
| ABSA (038-723-0993)          | 10.43% | 17 June 2025  | 3 998 843                   | 4 368 208         |
| ABSA (038-723-0994)          | 10.45% | 17 Nov 2025   | 1 689 005                   | 1 830 218         |
| ABSA (038-723-0995)          | 10.45% | 17 Aug 2028   | 1 762 393                   | 1 891 477         |
| Standard Bank (03-263-793-4) | 10.36% | 31 Mar 2023   | 7 490 243                   | 8 585 791         |
| <b>Total</b>                 |        |               | <b>17 608 751</b>           | <b>20 105 233</b> |

All annuity loans are unsecured.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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### 12 LONG-TERM LIABILITIES (CONTINUED)

#### Annuity Loans

Annuity loans are payable as follows:

|  |                   |                   |
|--|-------------------|-------------------|
| Payable within one year                  | 4 242 425         | 4 546 228         |
| Payable within two to five years         | 15 772 360        | 16 071 695        |
| Payable after five years                 | 4 481 974         | 8 425 064         |
| <b>Total amount payable</b>              | <b>24 496 759</b> | <b>29 042 986</b> |
| Less: Outstanding Future Finance Charges | (6 888 007)       | (8 937 753)       |
| <b>Present value of annuity loans</b>    | <b>17 608 752</b> | <b>20 105 233</b> |

#### Finance Lease Liabilities

Finance Lease Liabilities, disclosed at amortised cost, consist out of the following agreements:

| Description                         | Maturity Date | Carrying Value of Liability |                  |
|-------------------------------------|---------------|-----------------------------|------------------|
| Printers MPC2003SP                  | 30 Nov 2017   | -                           | 51 869           |
| Printers MP2501SP                   | 30 Nov 2017   | -                           | 14 408           |
| Printers D3Q20B                     | 31 Dec 2019   | 30 355                      | 46 176           |
| Printers MPC305SPF                  | 31 Dec 2019   | 32 923                      | 50 056           |
| Printers MPC2004SP                  | 30 Apr 2020   | 130 105                     | 188 515          |
| Printers MPC8003SP                  | 30 Apr 2020   | 126 506                     | 181 213          |
| ISUZU KB 250c Fleetside Regular CAB | 1 Jul 2022    | 194 120                     | 257 263          |
| ISUZU KB 250c Fleetside Regular CAB | 1 Jul 2022    | 194 120                     | 257 263          |
| ISUZU KB 250c Fleetside Regular CAB | 1 Jul 2022    | 194 120                     | 257 263          |
| Chevrolet Utility 1.4 + A/C (M18)   | 1 Jul 2022    | 145 301                     | 192 531          |
| Chevrolet Utility 1.4 + A/C (M18)   | 1 Jul 2022    | 145 301                     | 192 531          |
| ISUZU KB 250c Fleetside Regular CAB | 1 Jul 2022    | 194 120                     | 257 263          |
| ISUZU KB 250c Fleetside Regular CAB | 1 Aug 2022    | 198 276                     | -                |
| ISUZU KB 250c Fleetside Regular CAB | 1 Aug 2022    | 349 911                     | -                |
| ISUZU N Series NLR 150              | 1 Aug 2022    | 378 476                     | -                |
| ISUZU KB 250c Fleetside Regular CAB | 1 Aug 2022    | 198 276                     | -                |
| ISUZU N Series NLR 150              | 1 Aug 2022    | 378 476                     | -                |
| ISUZU N Series NLR 150              | 1 Aug 2022    | 378 476                     | -                |
| ISUZU N Series NLR 150              | 1 Aug 2022    | 378 476                     | -                |
| ISUZU KB 250c Fleetside Regular CAB | 1 Aug 2022    | 198 276                     | -                |
| TOYOTA ETIOS SEDAN 1.5SD SPRINT     | 1 Aug 2022    | 156 393                     | -                |
| TOYOTA ETIOS SEDAN 1.5SD SPRINT     | 1 Aug 2022    | 156 394                     | -                |
| <b>Total</b>                        |               | <b>4 158 402</b>            | <b>1 946 353</b> |

Finance Leases Liabilities are secured by Property, Plant and Equipment - refer to note 9.

Leased assets remain the property of the lessor after maturity and new lease contracts are negotiated to replace lapsed contracts.

Finance Lease Liabilities are payable as follows:

|   |                  |                  |
|---|------------------|------------------|
| Payable within one year                           | 1 360 789        | 745 146          |
| Payable within two to five years                  | 3 782 432        | 1 688 525        |
| Payable after five years                          | -                | -                |
| <b>Total amount payable</b>                       | <b>5 143 221</b> | <b>2 433 671</b> |
| Less: Outstanding Future Finance Charges          | (984 820)        | (487 318)        |
| <b>Present value of finance lease liabilities</b> | <b>4 158 401</b> | <b>1 946 353</b> |

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

| <i>Figures in Rand</i> |  | 2018              | 2017              |
|------------------------|--|-------------------|-------------------|
| <b>13</b>              | <b>CONSUMER DEPOSITS</b>   |                   |                   |
|                        | Water and Electricity Deposits   | <b>1 954 330</b>  | <b>1 812 782</b>  |
|                        | The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.  |                   |                   |
| <b>14</b>              | <b>PAYABLES FROM EXCHANGE TRANSACTIONS</b>   |                   |                   |
|                        | Trade Payables   | 43 344 178        | 28 241 444        |
|                        | Retentions   | 3 272 969         | 3 812 986         |
|                        | Payments received in advance   | 2 073 468         | 2 054 561         |
|                        | Pre-paid Electricity   | 501 184           | 483 099           |
|                        | Sundry Creditors   | 3 210 186         | 3 843 843         |
|                        | Sundry Deposits  | 199 382           | 171 544           |
|                        | Accrued Interest   | 323 816           | 335 240           |
|                        | Unknown Receipts   | 66 203            | 22 275            |
|                        | <b>Total</b>   | <b>52 991 386</b> | <b>38 964 993</b> |
|                        | As previously reported   |                   | 39 968 282        |
|                        | Correction of error restatement - note 39.3  |                   | (1 003 289)       |
|                        | Restated balance   |                   | <b>38 964 993</b> |
|                        | Payables are being recognised net of any discounts received.   |                   |                   |
|                        | The credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary |                   |                   |
|                        | The carrying value of trade and other payables approximates its fair value.  |                   |                   |
|                        | Sundry deposits include hall, builders and housing Deposits.   |                   |                   |
|                        | Deposits amounting to R3 159 950 serve as security for Payables. The remainder of Payables are unsecured.  |                   |                   |
| <b>15</b>              | <b>UNSPENT CONDITIONAL GOVERNMENT GRANTS</b>   |                   |                   |
|                        | National Government  | 15 121 318        | 18 406 836        |
|                        | Provincial Government  | 18 338 765        | 13 908 158        |
|                        | <b>Total</b>   | <b>33 460 083</b> | <b>32 314 994</b> |
|                        | Detail reconciliations of all grants received and grant conditions met are included in note 20. Unspent grant balances are recognised to the extent that conditions are not yet met.   |                   |                   |
|                        | No grants were withheld in the current year.   |                   |                   |
|                        | Due to the short term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end.  |                   |                   |

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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### CURRENT EMPLOYEE BENEFITS

|  | 2018             | 2017             |
|--|------------------|------------------|
| Bonuses  | 2 313 974        | 2 176 198        |
| Staff Leave  | 4 528 535        | 4 360 462        |
| Performance Bonuses  | 278 252          | 103 721          |
| Current portion of Non-Current Employee Benefits - note 17 | 1 179 093        | 1 045 583        |
| Post Retirement Medical Benefits                           | 732 419          | 689 176          |
| Long Service Awards  | 446 674          | 356 407          |
| <b>Total</b>   | <b>8 299 855</b> | <b>7 685 965</b> |

The movement in current employee benefits are reconciled as follows:

#### Bonuses

|                                       |                  |                  |
|---------------------------------------|------------------|------------------|
| Opening Balance                       | 2 176 198        | 2 062 848        |
| Contribution during the year          | 4 186 069        | 3 607 539        |
| Payments made                         | (4 048 293)      | (3 494 189)      |
| <b>Balance at the end of the year</b> | <b>2 313 974</b> | <b>2 176 198</b> |

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.

#### Staff Leave

|                                       |                  |                  |
|---------------------------------------|------------------|------------------|
| Opening Balance                       | 4 360 462        | 4 288 257        |
| Contribution during the year          | 740 828          | 612 372          |
| Payments made                         | (572 755)        | (540 166)        |
| <b>Balance at the end of the year</b> | <b>4 528 535</b> | <b>4 360 462</b> |

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

#### Performance Bonuses

|                                       |                |                |
|---------------------------------------|----------------|----------------|
| Opening Balance                       | 103 721        | -              |
| Contribution during the year          | 295 503        | 432 706        |
| Payments made                         | (120 972)      | (328 985)      |
| <b>Balance at the end of the year</b> | <b>278 252</b> | <b>103 721</b> |

Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council.

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### EMPLOYEE BENEFITS

|  |                   |                   |
|--|-------------------|-------------------|
| Post Retirement Medical Benefits           | 30 539 493        | 25 707 942        |
| Long Service Awards                        | 3 680 219         | 3 304 955         |
| <b>Sub-Total</b>                           | <b>34 219 712</b> | <b>29 012 897</b> |
| Less: Current portion of Employee Benefits | <b>1 179 093</b>  | <b>1 045 583</b>  |
| Post Retirement Medical Benefits           | 732 419           | 689 176           |
| Long Service Awards                        | 446 674           | 356 407           |
| <b>Total</b>                               | <b>33 040 619</b> | <b>27 967 314</b> |

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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### 17 EMPLOYEE BENEFITS (CONTINUED)

#### 17.1 Post Retirement Medical Benefits

The movement in Post Retirement Medical Benefits are reconciled as follows:

|                              |                   |                   |
|------------------------------|-------------------|-------------------|
| Opening Balance              | 25 707 942        | 25 062 356        |
| Contribution during the year | 4 556 069         | 4 207 376         |
| Current Service Cost         | 2 070 896         | 1 861 126         |
| Interest Cost                | 2 485 173         | 2 346 250         |
| Payments made                | (698 531)         | (644 992)         |
| Actuarial Loss/(Gain)        | 974 013           | (2 916 798)       |
| Total balance at year-end    | 30 539 493        | 25 707 942        |
| Less: Current portion        | (732 419)         | (689 176)         |
| <b>Total</b>                 | <b>29 807 074</b> | <b>25 018 766</b> |

The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:

|                        |            |            |
|------------------------|------------|------------|
| In-service members     | 128        | 121        |
| In-service non-members | 188        | 199        |
| Continuation members   | 21         | 20         |
| <b>Total</b>           | <b>337</b> | <b>340</b> |

| The unfunded liability in respect of past service recognised in the Statement of Financial Position is as follows: | In-Service Members<br>R | In-Service non-Members<br>R | Continuation Members<br>R | Total unfunded Liability<br>R |
|--|-------------------------|-----------------------------|---------------------------|-------------------------------|
| 30 June 2018   | 17 899 731              | 3 662 026                   | 8 977 736                 | <b>30 539 493</b>             |
| 30 June 2017   | 14 144 824              | 3 467 924                   | 8 095 194                 | <b>25 707 942</b>             |
| 30 June 2016   | 13 926 711              | 3 461 389                   | 7 674 256                 | <b>25 062 356</b>             |
| 30 June 2015   | 13 348 423              | 3 161 645                   | 7 821 921                 | <b>24 331 989</b>             |
| 30 June 2014   | 9 446 832               | 4 162 874                   | 8 272 476                 | <b>21 882 182</b>             |

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

|   | Liabilities<br>(Gain) / Loss<br>R | Assets<br>Gain / (Loss)<br>R |
|---|-----------------------------------|------------------------------|
| <b>Experience adjustments were calculated as follows:</b> |                                   |                              |
| 30 June 2018  | 485 000                           | -                            |
| 30 June 2017  | (30 000)                          | -                            |
| 30 June 2016  | (743 000)                         | -                            |
| 30 June 2015  | 397 000                           | -                            |
| 30 June 2014  | 1 380 000                         | -                            |

The Municipality contributes to the following medical schemes on a monthly basis:

Bonitas  
LA Health  
Hosmed  
Samwumed  
Keyhealth

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### 17 EMPLOYEE BENEFITS (CONTINUED)

Key Actuarial Assumptions used are as follows:

#### i) Interest Rates

|                                 |       |       |
|---------------------------------|-------|-------|
| Discount rate                   | 9.68% | 9.80% |
| Health Care Cost Inflation Rate | 7.45% | 8.08% |
| Net Effective Discount Rate     | 2.08% | 1.59% |

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

#### ii) Mortality Rates

The PA 90 ultimate table, rated down by 1 year of age for post retirement, and the SA 85-90 table for in service employees, were used by the actuaries.

#### iii) Normal Retirement Age

It has been assumed that in-service members will retire at age 61, which then implicitly allows for expected rates of early and ill-health retirement.

#### iv) Last Valuation

The last valuation was performed on 5 August 2018.

#### v) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

#### Sensitivity Analysis - Liability at year-end

| Assumption  | In-service members<br>(R) | Continuation members<br>(R) | Total liability<br>(R) | % change |
|---|---------------------------|-----------------------------|------------------------|----------|
| Liability   | 21 561 757                | 8 977 736                   | 30 539 493             |          |
| Health care inflation ( + 1% )                        | 25 844 000                | 9 817 000                   | 35 661 000             | 17%      |
| Health care inflation ( - 1% )                        | 18 149 000                | 8 242 000                   | 26 391 000             | -14%     |
| Discount rate ( + 1% )                                | 18 239 000                | 8 262 000                   | 26 501 000             | -13%     |
| Discount rate ( - 1% )                                | 25 790 000                | 9 807 000                   | 35 597 000             | 17%      |
| Post-retirement mortality ( - 1 year )                | 22 198 000                | 9 318 000                   | 31 516 000             | 3%       |
| Average retirement age ( - 1 year )                   | 23 617 000                | 8 978 000                   | 32 595 000             | 7%       |
| Continuation of membership after retirement ( - 10% ) | 18 626 000                | 8 978 000                   | 27 604 000             | -10%     |

#### Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

| Assumption  | Current Service Cost<br>(R) | Interest Cost<br>(R) | Total Cost<br>(R) | % change |
|---|-----------------------------|----------------------|-------------------|----------|
| Estimated for 2018/19                                 | 2 155 200                   | 2 921 600            | 5 076 800         |          |
| Health care inflation ( + 1% )                        | 2 627 000                   | 3 417 200            | 6 044 200         | 19%      |
| Health care inflation ( - 1% )                        | 1 783 900                   | 2 520 200            | 4 304 100         | -15%     |
| Discount rate ( + 1% )                                | 1 809 900                   | 2 792 200            | 4 602 100         | -9%      |
| Discount rate ( - 1% )                                | 2 597 100                   | 3 058 700            | 5 655 800         | 11%      |
| Post-retirement mortality ( - 1 year )                | 2 218 100                   | 3 016 100            | 5 234 200         | 3%       |
| Average retirement age ( - 1 year )                   | 2 265 700                   | 3 120 500            | 5 386 200         | 6%       |
| Continuation of membership after retirement ( - 10% ) | 1 850 100                   | 2 637 400            | 4 487 500         | -12%     |



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### 17 EMPLOYEE BENEFITS (CONTINUED)

#### 17.2 Long Service Awards

The movement in Long Service Awards are reconciled as follows:

|                              |                  |                  |
|------------------------------|------------------|------------------|
| Opening Balance              | 3 304 955        | 3 312 522        |
| Contribution during the year | 585 230          | 595 234          |
| Current Service Cost         | 318 934          | 324 969          |
| Interest Cost                | 266 296          | 270 265          |
| Payments made                | (390 504)        | (260 355)        |
| Actuarial Loss/(Gain)        | 180 538          | (342 446)        |
| Total balance at year-end    | <b>3 680 219</b> | <b>3 304 955</b> |
| Less: Current portion        | (446 674)        | (356 407)        |
| <b>Total</b>                 | <b>3 233 545</b> | <b>2 948 548</b> |

The Long Service Awards plans are defined benefit plans.

|   |     |     |
|---|-----|-----|
| As at year end, the following number of employees were eligible for Long Service Awards | 316 | 320 |
|---|-----|-----|

The unfunded liability in respect of past service recognised in the Statement of Financial Position is as follows:

Unfunded Liability  
R

|              |           |
|--------------|-----------|
| 30 June 2018 | 3 680 219 |
| 30 June 2017 | 3 304 955 |
| 30 June 2016 | 3 312 522 |
| 30 June 2015 | 3 312 522 |
| 30 June 2014 | 2 723 873 |

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

Experience adjustments were calculated as follows:

|              | Liabilities<br>(Gain) / Loss<br>R | Assets<br>Gain / (Loss)<br>R |
|--------------|-----------------------------------|------------------------------|
| 30 June 2018 | 201 190                           | -                            |
| 30 June 2017 | (59 844)                          | -                            |
| 30 June 2016 | (80 347)                          | -                            |
| 30 June 2015 | 169 257                           | -                            |
| 30 June 2014 | 86 455                            | -                            |

# CEDERBERG LOCAL MUNICIPALITY

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### 17 EMPLOYEE BENEFITS (CONTINUED)

Key Actuarial Assumptions used are as follows:

#### i) Interest Rates

|   |       |       |
|---|-------|-------|
| Discount rate   | 8.62% | 8.51% |
| General Salary Inflation (long-term)                                      | 6.22% | 6.33% |
| Net Effective Discount Rate applied to salary-related Long Service Awards | 2.26% | 2.05% |

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

#### ii) Last Valuation

The last valuation was performed on 5 August 2018.

#### iii) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

#### Sensitivity Analysis on the Unfunded Accrued Liability

| Assumption                           | Current Liability<br>(R) | Liability (R) | % Change |
|--------------------------------------|--------------------------|---------------|----------|
| General salary inflation ( + 1%)     | 3 680 219                | 3 932 000     | 7%       |
| General salary inflation ( - 1% )    | 3 680 219                | 3 453 000     | -6%      |
| Discount rate ( + 1% )               | 3 680 219                | 3 444 000     | -6%      |
| Discount rate ( - 1% )               | 3 680 219                | 3 946 000     | 7%       |
| Average retirement age ( - 2 years ) | 3 680 219                | 3 103 000     | -16%     |
| Average retirement age ( + 2 years ) | 3 680 219                | 4 203 000     | 14%      |
| Withdrawal rates ( - 50% )           | 3 680 219                | 4 464 000     | 21%      |

#### Sensitivity Analysis on the Current-service and Interest Costs

| Assumption                           | Current Service<br>Cost<br>(R) | Interest Cost<br>(R) | Total(R) | % Change |
|--------------------------------------|--------------------------------|----------------------|----------|----------|
| Estimated for 2018/19                | 344 100                        | 298 400              | 642 500  |          |
| General salary inflation ( + 1%)     | 373 400                        | 320 100              | 693 500  | 8%       |
| General salary inflation ( - 1% )    | 317 900                        | 278 800              | 596 700  | -7%      |
| Discount rate ( + 1% )               | 320 100                        | 310 300              | 630 400  | -2%      |
| Discount rate ( - 1% )               | 371 300                        | 284 000              | 655 300  | 2%       |
| Average retirement age ( - 2 years ) | 300 400                        | 250 200              | 550 600  | -14%     |
| Average retirement age ( + 2 years ) | 394 000                        | 342 900              | 736 900  | 15%      |
| Withdrawal rates ( - 50% )           | 458 300                        | 365 900              | 824 200  | 28%      |

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### 17 EMPLOYEE BENEFITS (CONTINUED)

#### 17.3 Other Pension Benefits

##### Defined Benefit Plans

Council contributes to the following defined benefit plans:

|   |        |        |
|---|--------|--------|
| LA Retirement Fund (Former Cape Joint Pension Fund) | 84 247 | 78 094 |
|---|--------|--------|

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2017 revealed that the fund is in a sound financial position with a funding level of 102.6% (30 June 2016 - 106.1%).

|  |           |           |
|--|-----------|-----------|
| Consolidated Retirement Fund (Former Cape Retirement Fund) | 7 008 625 | 6 148 623 |
|--|-----------|-----------|

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 100.6% (30 June 2015 - 100.4%).

|              |                  |                  |
|--------------|------------------|------------------|
| <b>Total</b> | <b>7 092 873</b> | <b>6 226 717</b> |
|--------------|------------------|------------------|

Both the LA Retirement Fund and Consolidated Retirement Fund are multi-employer plans. Multiple local authorities participate in these multi-employer funds. Multi-employer plans are defined as defined benefit plans. When sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the LA Retirement Fund and Consolidated Retirement Fund are Multi-employer funds defined as defined benefit plan, it will be accounted for as defined contribution plan due to sufficient information not being available.

##### Defined Contribution Plans

Council contributes to the following defined contribution plans:

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| National Funds for Municipal Workers | 641 932   | 565 519   |
| SAMWU National Provident Fund        | 1 058 814 | 1 008 472 |
| Municipal Councillors Pension Fund   | 502 169   | 437 382   |

|              |                  |                  |
|--------------|------------------|------------------|
| <b>Total</b> | <b>2 202 914</b> | <b>2 011 373</b> |
|--------------|------------------|------------------|

The retirement benefit funds are subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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### NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

**41 917 210**

**42 614 204**

The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:

Opening Balance

42 614 204

40 044 861

Contribution during the year

(696 994)

2 569 343

Increase/(Decrease) in estimate

(3 338 780)

(33 573)

Interest Cost

2 641 786

2 602 916

**Total**

**41 917 210**

**42 614 204**

The calculation for the rehabilitation of the landfill site provision was compiled by an independent qualified engineer in order to determine the present value to rehabilitate the landfill sites at the end of its useful life. The total obligation at year-end can be attributed to the following sites:

| Location      | Site Dimensions      | Estimated Decommission Date | Cost of Rehabilitation | Cost of Rehabilitation |
|---------------|----------------------|-----------------------------|------------------------|------------------------|
| Clanwilliam   | 23 616m <sup>2</sup> | 2024                        | 12 000 877             | 11 838 905             |
| Lambert's Bay | 17 580m <sup>2</sup> | 2024                        | 9 974 636              | 10 841 133             |
| Citrusdal     | 26 505m <sup>2</sup> | 2034                        | 13 565 927             | 13 832 254             |
| Graafwater    | 3 000m <sup>2</sup>  | 2024                        | 2 969 803              | 2 846 923              |
| Elands Bay    | 4 263m <sup>2</sup>  | 2024                        | 3 405 967              | 3 254 989              |
| <b>Total</b>  |                      |                             | <b>41 917 210</b>      | <b>42 614 204</b>      |

A retrospective calculation of time value of money, based on an average weighted investment rate of prime less 4%, was used. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

The variation licence issued in March 2018 for the Lambert's Bay landfill site specifies different required capping layers for rehabilitation than previously required. Accordingly, it resulted in a reduction in the cost estimate and ultimately a decrease in the provision.

Total cost and estimated date of decommission of the sites are as follows:

| Location      | Estimated Decommission Date | Cost of Rehabilitation | Cost of Rehabilitation |
|---------------|-----------------------------|------------------------|------------------------|
| Clanwilliam   | 2024                        | 17 023 473             | 18 397 500             |
| Lambert's Bay | 2024                        | 14 149 212             | 16 846 974             |
| Citrusdal     | 2034                        | 34 462 225             | 21 495 137             |
| Graafwater    | 2024                        | 4 212 722              | 4 424 079              |
| Elands Bay    | 2024                        | 4 831 434              | 5 058 209              |
| <b>Total</b>  |                             | <b>74 679 066</b>      | <b>66 221 900</b>      |

# CEDERBERG LOCAL MUNICIPALITY

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### PROPERTY RATES

Rateable Land and Buildings

41 372 155

38 308 187

**Total**

**41 372 155**

**38 308 187**

**Property rate levied are based on the following rateable valuations:**

Residential

2 697 009 395

2 282 725 000

Business

478 272 729

437 410 400

State-owned

187 474 742

466 017 900

Agricultural

2 716 536 096

2 728 019 214

Total Valuation

6 079 292 962

5 914 172 514

**Rate that is applicable to the valuations above:**

Residential

1.222c/R

1.083c/R

Business and Agricultural

1.580c/R

1.401c/R

State-owned

1.580c/R

1.401c/R

Agricultural

0.305c/R

0.270c/R

Valuations on land and buildings are performed every five years. The last valuation came into effect on 1 July 2016. Interim valuations are processed on an annual basis to include changes in property values and subdivisions.

The first R 15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Property Rates Act.

An additional rebate of R35 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Municipality's policy.

Rates are levied monthly and annually. Monthly rates are payable by the end of the month in which the amount was levied and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but in terms of Council's own policy opted not to collect it.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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### GOVERNMENT GRANTS AND SUBSIDIES

#### Unconditional Grants - National Government

Equitable Share

40 873 657

37 173 000

40 873 657

37 173 000

#### Conditional Grants - National Government

31 992 860

27 761 208

Municipal Infrastructure Grant (MIG)

19 509 148

16 702 822

Financial Management Grant (FMG)

1 550 000

1 475 000

Integrated National Electrification Programme (INEP)

4 000 000

3 000 000

Expanded Public Works Program (EPWP)

1 807 000

1 000 000

Regional Bulk Infrastructure Grant (RBIG)

-

4 383 429

Water Service Infrastructure Grant (WSIG)

2 063 752

1 199 957

Municipal Disaster Grant

3 062 960

-

#### Conditional Grants - Provincial Government

18 794 671

12 949 220

Human Settlement Development Grant

7 618 103

1 853 998

Library Services MRF

4 156 549

3 660 000

Municipal Drought Support Grant

699 466

-

Marine Living Resources Fund

-

2 825 000

Financial Management Support Grant

1 554 370

1 120 380

Municipal Capacity Building Grant

1 572 076

537 924

Acceleration of Housing Delivery

3 006 495

917 769

Other Provincial Allocations

187 611

2 034 149

#### Total

91 661 189

77 883 428

Disclosed as:

Government Grants and Subsidies - Operating

57 682 108

50 308 265

Government Grants and Subsidies - Capital

33 979 081

27 575 163

#### Total

91 661 189

77 883 428

Grants per Vote (MFMA Sec 123 (c)):

Equitable share

40 873 657

37 173 000

Office of the Municipal Manager

107 212

537 924

Executive and Council

119 032

-

Financial Services

2 084 650

1 481 079

Community Development Services

13 610 753

9 289 467

Corporate and Strategic Services

469 509

28 162

Engineering and Planning Services

34 396 376

29 373 796

#### Total

91 661 189

77 883 428

The movements per grant can be summarised as follows:

#### 20.01 Equitable Share

Opening Unspent Balance

-

-

Grants Received

40 873 657

37 173 000

Transferred to Revenue - Operating

(40 873 657)

(37 173 000)

Transferred to Revenue - Capital

-

-

Other Movements

-

-

Closing Unspent Balance

-

-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

# CEDERBERG LOCAL MUNICIPALITY

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### 20 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

#### 20.02 Municipal Infrastructure Grant (MIG)

|                                    |                  |                  |
|------------------------------------|------------------|------------------|
| Opening Unspent Balance            | 5 928 178        | -                |
| Grants Received                    | 15 867 000       | 22 631 000       |
| Transferred to Revenue - Operating | (3 174 514)      | (717 600)        |
| Transferred to Revenue - Capital   | (16 334 634)     | (15 985 222)     |
| Other Movements                    | -                | -                |
| Closing Unspent Balance            | <b>2 286 030</b> | <b>5 928 178</b> |

The MIG grant is a conditional grant used to upgrade infrastructure in the municipal area with the main focus on previously disadvantaged areas.

#### 20.03 Financial Management Grant (FMG)

|                                    |             |             |
|------------------------------------|-------------|-------------|
| Opening Unspent Balance            | -           | -           |
| Grants Received                    | 1 550 000   | 1 475 000   |
| Transferred to Revenue - Operating | (1 550 000) | (1 475 000) |
| Transferred to Revenue - Capital   | -           | -           |
| Other Movements                    | -           | -           |
| Closing Unspent Balance            | -           | -           |

The Financial Management Grant is a conditional grant to assist municipalities in the implementation of financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The grant also utilised to cover expenditure relating to the Financial Management

#### 20.04 Integrated National Electrification Programme (INEP)

|                                    |             |             |
|------------------------------------|-------------|-------------|
| Opening Unspent Balance            | -           | -           |
| Grants Received                    | 4 000 000   | 3 000 000   |
| Transferred to Revenue - Operating | (496 403)   | -           |
| Transferred to Revenue - Capital   | (3 503 597) | (3 000 000) |
| Other Movements                    | -           | -           |
| Closing Unspent Balance            | -           | -           |

The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.

#### 20.05 Expanded Public Works Program (EPWP)

|                                    |             |             |
|------------------------------------|-------------|-------------|
| Opening Unspent Balance            | -           | -           |
| Grants Received                    | 1 807 000   | 1 000 000   |
| Transferred to Revenue - Operating | (1 779 492) | (1 000 000) |
| Transferred to Revenue - Capital   | (27 508)    | -           |
| Other Movements                    | -           | -           |
| Closing Unspent Balance            | -           | -           |

The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.

#### 20.06 Regional Bulk Infrastructure Grant (RBIG)

|                                    |              |                   |
|------------------------------------|--------------|-------------------|
| Opening Unspent Balance            | 12 454 571   | -                 |
| Grants received                    | (12 454 571) | 16 838 000        |
| Transferred to Revenue - Operating | -            | -                 |
| Transferred to Revenue - Capital   | -            | (4 383 429)       |
| Other Movements                    | -            | -                 |
| Closing Unspent Balance            | -            | <b>12 454 571</b> |

The Regional Bulk Infrastructure Grant is used for the upgrade water infrastructure.

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### 20 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

#### 20.07 Water Service Infrastructure Grant (WSIG)

|                                    |                  |               |
|------------------------------------|------------------|---------------|
| Opening Unspent Balance            | 24 087           | 1 224 044     |
| Grants Received                    | 9 975 913        | -             |
| Transferred to Revenue - Operating | (268 420)        | -             |
| Transferred to Revenue - Capital   | (1 795 332)      | (1 199 957)   |
| Other Movements                    | -                | -             |
| Closing Unspent Balance            | <b>7 936 248</b> | <b>24 087</b> |

This grant is for the design and construction of a reservoir.

#### 20.08 Municipal Disaster Grant

|                                    |                  |   |
|------------------------------------|------------------|---|
| Opening Unspent Balance            | -                | - |
| Grants received                    | 7 962 000        | - |
| Transferred to Revenue - Operating | (399 517)        | - |
| Transferred to Revenue - Capital   | (2 663 443)      | - |
| Other Movements                    | -                | - |
| Closing Unspent Balance            | <b>4 899 040</b> | - |

The purpose of this grant is to fund emergency drought relief.

#### 20.09 Human Settlement Development Grant

|                                    |             |              |
|------------------------------------|-------------|--------------|
| Opening Unspent Balance            | 4 826       | 19 412       |
| Grants Received                    | 7 613 277   | 1 839 412    |
| Transferred to Revenue - Operating | (1 327 391) | (1 602 363)  |
| Transferred to Revenue - Capital   | (6 290 712) | (251 635)    |
| Other Movements                    | -           | -            |
| Closing Unspent Balance            | -           | <b>4 826</b> |

Housing grants was utilised for the development of erven and the erection of top structures.

#### 20.10 Library Services MRF

|                                    |               |             |
|------------------------------------|---------------|-------------|
| Opening Unspent Balance            | -             | -           |
| Grants Received                    | 4 223 000     | 3 660 000   |
| Transferred to Revenue - Operating | (4 134 197)   | (3 647 401) |
| Transferred to Revenue - Capital   | (22 353)      | (12 599)    |
| Other Movements                    | -             | -           |
| Closing Unspent Balance            | <b>66 451</b> | -           |

The Library Services (Municipal Replacement Fund) Grant is used to pay the salaries of library staff.

#### 20.11 Municipal Drought Support Grant

|                                    |                  |   |
|------------------------------------|------------------|---|
| Opening Unspent Balance            | 97 725           | - |
| Grants Received                    | 6 000 000        | - |
| Transferred to Revenue - Operating | -                | - |
| Transferred to Revenue - Capital   | (699 466)        | - |
| Other Movements                    | -                | - |
| Closing Unspent Balance            | <b>5 398 259</b> | - |

This grant is utilised for the completion of the desalination plant in Lambert's Bay.



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### 20 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

#### 20.12 Marine Living Resources Fund

|                                    |       |             |
|------------------------------------|-------|-------------|
| Opening Unspent Balance            | -     | -           |
| Grants Received                    | -     | 2 825 000   |
| Transferred to Revenue - Operating | -     | (2 825 000) |
| Transferred to Revenue - Capital   | -     | -           |
| Other Movements                    | -     | -           |
|                                    | <hr/> | <hr/>       |
| Closing Unspent Balance            | -     | -           |
|                                    | <hr/> | <hr/>       |

Marine Living Resource Fund is used for the Elands Bay fishing infrastructure implementation plan.

#### 20.13 Financial Management Support Grant

|                                    |             |             |
|------------------------------------|-------------|-------------|
| Opening Unspent Balance            | -           | 1 079 892   |
| Grants Received                    | 1 777 000   | 40 488      |
| Transferred to Revenue - Operating | (1 554 370) | (1 120 380) |
| Transferred to Revenue - Capital   | -           | -           |
| Other Movements                    | -           | -           |
|                                    | <hr/>       | <hr/>       |
| Closing Unspent Balance            | 222 630     | -           |
|                                    | <hr/>       | <hr/>       |

The Financial Management Grant is paid by Provincial Treasury to municipalities to help implement revenue enhancement.

#### 20.14 Municipal Capacity Building Grant

|                                    |             |           |
|------------------------------------|-------------|-----------|
| Opening Unspent Balance            | 1 332 076   | -         |
| Grants Received                    | 240 000     | 1 870 000 |
| Transferred to Revenue - Operating | (1 572 076) | (537 924) |
| Transferred to Revenue - Capital   | -           | -         |
| Other Movements                    | -           | -         |
|                                    | <hr/>       | <hr/>     |
| Closing Unspent Balance            | -           | 1 332 076 |
|                                    | <hr/>       | <hr/>     |

This grant is utilised as a capacity initiative for graduates to enter the workforce in local government.

#### 20.15 Acceleration of Housing Delivery

|                                    |             |            |
|------------------------------------|-------------|------------|
| Opening Unspent Balance            | 12 397 231  | -          |
| Grants Received                    | 3 030 000   | 13 315 000 |
| Transferred to Revenue - Operating | (364 459)   | -          |
| Transferred to Revenue - Capital   | (2 642 036) | (917 769)  |
| Other Movements                    | -           | -          |
|                                    | <hr/>       | <hr/>      |
| Closing Unspent Balance            | 12 420 736  | 12 397 231 |
|                                    | <hr/>       | <hr/>      |

Housing delivery grant was utilised for the construction of infrastructure for housing projects.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

*Figures in Rand*

|  | 2018              | 2017              |
|--|-------------------|-------------------|
| <b>20 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>  |                   |                   |
| <b>20.16 Other Provincial Allocations</b>  |                   |                   |
| Opening Unspent Balance  | 76 300            | 90 988            |
| Grants Received  | 342 000           | 2 117 186         |
| Transferred to Revenue - Operating   | (187 611)         | (209 597)         |
| Transferred to Revenue - Capital   | -                 | (1 824 552)       |
| Other Movements  | -                 | -                 |
| Closing Unspent Balance  | <b>230 689</b>    | <b>174 025</b>    |
| Other National Allocations include grants such as:   |                   |                   |
| Spacial Development Framework  |                   |                   |
| CDW Support  |                   |                   |
| Housing Consumer Education   |                   |                   |
| Road Maintenance   |                   |                   |
| Development of Sport and Recreational Facilities   |                   |                   |
| IDP Grant  |                   |                   |
| Municipal Infrastructure Support Grant   |                   |                   |
| <b>20.17 Total Grants</b>  |                   |                   |
| Opening Unspent Balance  | 32 314 994        | 2 414 336         |
| Grants Received  | 92 806 278        | 107 784 086       |
| Transferred to Revenue - Operating   | (57 682 108)      | (50 308 265)      |
| Transferred to Revenue - Capital   | (33 979 081)      | (27 575 163)      |
| Other Movements  | -                 | -                 |
| Closing Unspent Balance  | <b>33 460 083</b> | <b>32 314 994</b> |
| <b>21 PUBLIC CONTRIBUTIONS AND DONATIONS</b>   |                   |                   |
| Other donations  | -                 | 17 203            |
| <b>Total</b>   | <b>-</b>          | <b>17 203</b>     |
| Individuals and suppliers made cash contributions towards the mayoral golf day.  |                   |                   |
| <b>22 FINES, PENALTIES AND FORFEITS</b>  |                   |                   |
| Traffic  | 15 247 339        | 21 153 677        |
| Overdue Book Fines   | 15 433            | 14 449            |
| Illegal Connections  | 30 771            | 10 309            |
| Unclaimed Money  | 201               | 428 635           |
| <b>Total</b>   | <b>15 293 744</b> | <b>21 607 070</b> |
| As previously reported   |                   | 21 178 435        |
| Reclassification - note 40.1   |                   | 428 635           |
| Restated balance   |                   | <b>21 607 070</b> |
| In terms of the requirements of GRAP 23 and IGRAP 1, all fines issued during the year less any cancellations or reductions identified are recognised as revenue. |                   |                   |

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

| <i>Figures in Rand</i> |  | 2018               | 2017               |
|------------------------|--|--------------------|--------------------|
| <b>23</b>              | <b>ACTUARIAL GAINS / (LOSSES)</b>  |                    |                    |
|                        | Post Retirement Medical Benefits   | (974 013)          | 2 916 798          |
|                        | Long Service Awards  | (180 538)          | 342 446            |
|                        | <b>Total</b>   | <b>(1 154 551)</b> | <b>3 259 244</b>   |
| <b>24</b>              | <b>REVERSAL OF IMPAIRMENTS</b>   |                    |                    |
|                        | Property, Plant and Equipment  | <b>1 653</b>       | <b>46 034</b>      |
|                        | The impairments relate to the capitalised restoration costs. The impairment was caused by the change in the discount rate which is linked to the prime rate. |                    |                    |
| <b>25</b>              | <b>SERVICE CHARGES</b>   |                    |                    |
|                        | Electricity  | 79 818 072         | 78 194 108         |
|                        | Water  | 24 857 151         | 25 285 118         |
|                        | Sanitation   | 12 743 128         | 12 160 450         |
|                        | Refuse   | 7 599 102          | 7 610 720          |
|                        | <b>Total Revenue</b>   | <b>125 017 453</b> | <b>123 250 395</b> |
|                        | Less: Rebates  | (4 675 298)        | (4 676 344)        |
|                        | Electricity  | (17 271)           | (168 004)          |
|                        | Water  | (931 163)          | (780 612)          |
|                        | Sanitation   | (3 291 423)        | (3 348 044)        |
|                        | Refuse   | (435 441)          | (379 684)          |
|                        | <b>Total</b>   | <b>120 342 155</b> | <b>118 574 051</b> |
|                        | As previously reported   |                    | 108 100 993        |
|                        | Reclassification - note 40.1   |                    | 10 473 059         |
|                        | Restated balance   |                    | 118 574 051        |
|                        | Rebates can be defined as any income that the Municipality is entitled to levy, but in terms of Council's own policy opted not to collect it.                |                    |                    |
| <b>26</b>              | <b>RENTAL OF FACILITIES AND EQUIPMENT</b>  |                    |                    |
|                        | Halls and Sportfields  | 165 846            | 208 384            |
|                        | Camping and Entrance Fees  | 2 972 228          | 3 248 690          |
|                        | Commonage  | 201 894            | 230 403            |
|                        | Hawker Stands  | 110 477            | 63 458             |
|                        | Other rentals  | 1 490              | 4 147              |
|                        | <b>Total</b>   | <b>3 451 935</b>   | <b>3 755 082</b>   |
| <b>27</b>              | <b>INTEREST EARNED - OUTSTANDING DEBTORS</b>   |                    |                    |
|                        | Property Rates   | 914 061            | 1 365 540          |
|                        | Service Charges  | 1 153 756          | 1 595 455          |
|                        | <b>Total</b>   | <b>2 067 817</b>   | <b>2 960 994</b>   |

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

*Figures in Rand*

|   | 2018             | 2017             |
|---|------------------|------------------|
| <b>28 AGENCY SERVICES</b>   |                  |                  |
| Drivers Licence Applications  | 303 516          | 254 318          |
| Drivers Licences Issued   | 318 861          | 269 695          |
| Duplicate Registration Certificates   | 49 482           | 43 857           |
| Keeping of Registration Number  | 13 750           | 55 427           |
| Learner Licence Applications  | 85 058           | 91 966           |
| Learner Licences Issued   | 20 209           | 25 798           |
| Professional Drivers Permit Applications  | 69 824           | 61 809           |
| Professional Drivers Permits Issued   | 31 512           | 28 894           |
| Roadworthy Certificate Applications   | 223 701          | 217 631          |
| Roadworthy Certificates Issued  | 40 754           | 44 955           |
| Temporary and special permits   | 24 843           | 23 598           |
| Vehicle Registration  | 1 919 825        | 1 699 486        |
| <b>Total</b>  | <b>3 101 335</b> | <b>2 817 435</b> |
| As previously reported  |                  | 1 699 486        |
| Reclassification - note 40.1  |                  | 1 117 949        |
| Restated balance  |                  | 2 817 435        |
| <b>29 OTHER INCOME</b>  |                  |                  |
| Application Fees for Land Usage   | 105 391          | 49 055           |
| Building Plan Approval  | 929 178          | 1 001 563        |
| Cemetery and Burial   | 100 512          | 127 110          |
| Clearance and Valuation Certificates  | 44 459           | 44 021           |
| Collection Charges  | 251 791          | 48 190           |
| Commission  | 40 622           | 37 215           |
| Development Charges   | 1 598 402        | 307 527          |
| Discounts and Early Settlements   | -                | 75 564           |
| Photocopies and Faxes   | 28 818           | 29 630           |
| Skills Development Levy Refund  | 140 059          | 167 989          |
| Sub-division and Consolidation Fees   | 31 445           | 34 768           |
| Tender Documents  | 55 760           | 80 580           |
| Sundry Income   | 17 595           | 49 617           |
| <b>Total</b>  | <b>3 344 032</b> | <b>2 052 829</b> |
| As previously reported  |                  | 2 725 943        |
| Reclassification - note 40.1  |                  | (673 114)        |
| Restated balance  |                  | 2 052 829        |
| Sundry income represents sundry income such as sale of sundry items (wood, sand and stones) and fees for items not included under service charges |                  |                  |

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

**Figures in Rand**

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### EMPLOYEE RELATED COSTS

|                                    | 2018              | 2017              |
|------------------------------------|-------------------|-------------------|
| Basic Salaries and Wages           | 60 290 222        | 51 192 118        |
| Pension and UIF Contributions      | 9 349 998         | 8 278 761         |
| Medical Aid Contributions          | 3 217 345         | 2 979 725         |
| Overtime                           | 4 550 386         | 3 651 247         |
| Motor Vehicle Allowance            | 4 476 636         | 4 306 248         |
| Cellphone Allowance                | 437 368           | 317 881           |
| Housing Allowance                  | 530 429           | 867 289           |
| Other benefits and allowances      | 2 698 993         | 3 833 064         |
| Bargaining Council                 | 32 846            | 29 007            |
| Group Life Insurance               | 1 150 723         | 993 717           |
| Scarcity Allowance                 | 705 441           | 699 848           |
| Standby Allowance                  | 809 983           | 2 110 492         |
| Contributions to Employee Benefits | 7 612 230         | 6 838 712         |
| Bonuses                            | 4 186 069         | 3 607 539         |
| Staff Leave                        | 740 828           | 612 372           |
| Performance Bonus                  | 295 503           | 432 706           |
| Long Service Awards                | 318 934           | 324 969           |
| Post Retirement Medical Benefits   | 2 070 896         | 1 861 126         |
| Workmens Compensation Fund         | 494 920           | 435 063           |
| <b>Total</b>                       | <b>93 658 527</b> | <b>82 700 107</b> |
| As previously reported             |                   | 83 344 277        |
| Reclassification - note 40.1       |                   | (644 170)         |
| Restated balance                   |                   | <b>82 700 107</b> |

### Remuneration of Management Personnel

The Municipal Manager and Directors are appointed on a 5-year fixed contract.

#### Municipal Manager - GF Matthyse (resigned July 2017)

|   |                |                  |
|---|----------------|------------------|
| Annual Remuneration   | 365 413        | 708 898          |
| Performance Bonus / 13th Cheque                                     | -              | 66 000           |
| Car Allowance   | 228 977        | 461 347          |
| Cellphone Allowance   | 18 000         | 30 000           |
| Rural Allowance   | 45 795         | 76 227           |
| Leave Payout  | -              | 70 998           |
| Contributions to UIF, Medical, Pension Funds and Bargaining Council | 6 752          | 19 808           |
| <b>Total</b>  | <b>664 937</b> | <b>1 433 277</b> |

The above-mentioned payments were made in terms of the settlement agreement.

#### Municipal Manager - PL Volschenk (appointed November 2017)

|   |                |          |
|---|----------------|----------|
| Annual Remuneration   | 550 703        | -        |
| Car Allowance   | 61 091         | -        |
| Cellphone Allowance   | 22 909         | -        |
| Rural Allowance   | 59 533         | -        |
| Contributions to UIF, Medical, Pension Funds and Bargaining Council | 140 405        | -        |
| <b>Total</b>  | <b>834 641</b> | <b>-</b> |

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

*Figures in Rand*

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### 30 EMPLOYEE RELATED COSTS (CONTINUED)

#### Director: Engineering Services - P Majeni (resigned January 2018)

|   |                |                  |
|---|----------------|------------------|
| Annual Remuneration   | 397 795        | 710 335          |
| Performance Bonus / 13th Cheque                                     | -              | 82 272           |
| Car Allowance   | 56 000         | 116 650          |
| Housing Allowance   | 42 000         | 72 000           |
| Cellphone Allowance   | 10 500         | 12 000           |
| Rural Allowance   | 45 392         | 12 080           |
| Contributions to UIF, Medical, Pension Funds and Bargaining Council | 78 146         | 136 020          |
| <b>Total</b>  | <b>629 832</b> | <b>1 141 356</b> |

#### Director: Community Services - R Bent (appointed June 2017)

|   |                |               |
|---|----------------|---------------|
| Annual Remuneration   | 562 991        | 42 810        |
| Car Allowance   | 180 000        | 15 000        |
| Cellphone Allowance   | 18 000         | 1 500         |
| Rural Allowance   | 70 154         | 5 445         |
| Contributions to UIF, Medical, Pension Funds and Bargaining Council | 143 869        | 11 018        |
| <b>Total</b>  | <b>975 014</b> | <b>75 773</b> |

#### Director: Finance - E Alfred

|   |                  |                  |
|---|------------------|------------------|
| Annual Remuneration   | 692 446          | 586 692          |
| Performance Bonus / 13th Cheque                                     | 120 972          | 82 272           |
| Car Allowance   | 120 000          | 181 113          |
| Housing Allowance   | -                | 120 991          |
| Cellphone Allowance   | 18 000           | 12 000           |
| Rural Allowance   | 77 870           | 12 089           |
| Leave Payout  | -                | 82 714           |
| Contributions to UIF, Medical, Pension Funds and Bargaining Council | 172 700          | 148 293          |
| <b>Total</b>  | <b>1 201 989</b> | <b>1 226 164</b> |

#### Director: Corporate Services - A McCullum (April 2017 - May 2018)

|   |                  |                |
|---|------------------|----------------|
| Annual Remuneration   | 656 809          | 139 171        |
| Car Allowance   | 159 277          | 36 756         |
| Cellphone Allowance   | 19 500           | 4 500          |
| Rural Allowance   | 76 000           | 16 336         |
| Leave Payout  | 47 021           | -              |
| Contributions to UIF, Medical, Pension Funds and Bargaining Council | 141 859          | 30 556         |
| <b>Total</b>  | <b>1 100 465</b> | <b>227 319</b> |

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

Figures in Rand

| Figures in Rand |  | 2018   | 2017              |
|-----------------|--|--|-------------------|
| 31              | REMUNERATION OF COUNCILLORS  |  |                   |
|                 | Executive Mayor  | 804 873  | 796 926           |
|                 | Deputy Executive Mayor   | 645 194  | 602 599           |
|                 | Speaker  | 693 913  | 633 807           |
|                 | Mayoral Committee Members  | 1 249 334  | 1 172 142         |
|                 | All Other Councillors  | 1 899 902  | 1 571 032         |
|                 | <b>Total</b>   | <b>5 293 216</b>   | <b>4 776 507</b>  |
|                 | <b>The positions of Executive Mayor, Deputy Mayor and Speaker were filled as follow:</b>   |  |                   |
|                 | Executive Mayor  | - J Barnard (20 August 2016 to date)<br>- JJ Muller (16 July 2015 to 14 July 2016) |                   |
|                 | Deputy Mayor   | - BF Zass (20 August 2016 to date)<br>C September (20 August 2013 - 9 August 2016) |                   |
|                 | Speaker  | - WJ Farmer (20 August 2016 to date)<br>- D Smith (16 July 2015 - 9 August 2016)   |                   |
|                 | <b>In-kind Benefits</b>  |  |                   |
|                 | The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee member serve in a full-time capacity. They are provided with secretarial support and an office each at the cost of the Council. |  |                   |
|                 | Councillors may utilize municipal transportation when engaged in official duties   |  |                   |
| 32              | DEBT IMPAIRMENT  |  |                   |
|                 | Receivables from Exchange Transactions   | 16 922 625   | 14 530 389        |
|                 | Receivables from Non-Exchange Transactions   | 11 733 532   | 18 680 219        |
|                 | <b>Total Debt Impairment</b>   | <b>28 656 158</b>  | <b>33 210 608</b> |
|                 | Movement in VAT included in debt impairment  | (2 359 607)  | (883 669)         |
|                 | <b>Total</b>   | <b>26 296 551</b>  | <b>32 326 939</b> |
| 33              | DEPRECIATION AND AMORTISATION  |  |                   |
|                 | Investment Property  | 52 250   | 52 250            |
|                 | Property, Plant and Equipment  | 14 245 725   | 13 844 772        |
|                 | Intangible Assets  | 52 481   | 50 260            |
|                 | Capitalised Restoration Cost (PPE)   | 1 719 557  | 2 106 365         |
|                 | <b>Total</b>   | <b>16 070 013</b>  | <b>16 053 646</b> |
|                 | As previously reported   |  | 16 044 593        |
|                 | Correction of error restatement - note 39.2  |  | 9 054             |
|                 | Restated balance   |  | 16 053 646        |

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

*Figures in Rand*

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### FINANCE CHARGES

#### Cash

Eskom Holdings Limited

Long-term Liabilities

Overdue accounts

#### Non-cash

Post Retirement Medical Benefits

Long Service Awards

Rehabilitation of Landfill Sites

#### Total

2 680 512

2 667 797

|           |           |
|-----------|-----------|
| -         | 37 222    |
| 2 525 852 | 2 294 126 |
| 154 660   | 336 449   |

5 393 255

5 219 431

2 485 173

2 346 250

266 296

270 265

2 641 786

2 602 916

**8 073 767**

**7 887 228**

The finance charges relating to Eskom are interest levied as per the payment arrangement entered into with Eskom for arrear accounts which were repaid during 2014/15 to 2016/17.

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### BULK PURCHASES

Electricity

Water

#### Total

67 510 341

66 736 629

1 021 028

860 105

**68 531 369**

**67 596 734**

Bulk Purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the municipal area for re-sale to consumers. Electricity is purchased from Eskom and water is purchased from a variety of suppliers including DWA and a number of private suppliers.

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### TRANSFERS AND GRANTS

Bursaries

Festivals

Sport Councils

Tourism Board

#### Total

364 269

252 505

263 158

-

93 625

114 500

300 000

450 000

**1 021 052**

**817 005**

As previously reported

Reclassification - note 40.1

Restated balance

-

817 005

817 005



# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

*Figures in Rand*

|  | 2018              | 2017              |
|--|-------------------|-------------------|
| <b>37 OTHER EXPENDITURE</b>                                    |                   |                   |
| Advertising, Publicity and Marketing                           | 160 849           | 188 660           |
| Bank Charges   | 662 956           | 745 798           |
| Chemicals  | 308 975           | 285 009           |
| Cleaning Materials   | 285 740           | 221 758           |
| Consulting and Professional Fees                               | 8 324 085         | 10 317 833        |
| Commission - Prepaid Electricity                               | 1 718 934         | 1 513 129         |
| Telephone  | 1 806 267         | 1 763 218         |
| Computer Services  | 1 021 323         | 1 787 640         |
| Drivers Licences and Permits                                   | 199 684           | 182 914           |
| External Audit Fees  | 3 643 292         | 3 766 505         |
| Fuel and Oil   | 2 712 525         | 2 459 404         |
| Hire Charges   | 956 725           | 1 148 478         |
| Insurance  | 957 915           | 800 211           |
| Laboratory Services  | 318 314           | 159 425           |
| Legal Cost   | 635 768           | 1 611 032         |
| Maintenance Materials and Tools                                | 5 232 709         | 3 567 888         |
| Maintenance Services   | 8 344 747         | 6 090 956         |
| Motor Vehicle Licence and Registrations                        | 142 257           | 124 044           |
| Printing and Stationary  | 1 173 618         | 1 286 895         |
| Professional Bodies, Membership and Subscription               | 893 931           | 859 550           |
| Training   | 854 003           | 222 466           |
| Remuneration of Ward Committees                                | 214 500           | 160 500           |
| Safeguard and Security   | 3 022 028         | 2 276 708         |
| Skills Development Fund Levy                                   | 797 505           | 644 170           |
| Traffic Fines Management                                       | 937 149           | 1 324 939         |
| Travel and Subsistence   | 1 047 990         | 934 578           |
| Uniform and Protective Clothing                                | 485 634           | 237 786           |
| Other Expenditure  | 2 314 762         | 2 121 860         |
| <b>Total</b>   | <b>49 174 185</b> | <b>46 803 351</b> |
| As previously reported   |                   | 47 279 480        |
| Correction of error restatement - 39.3                         |                   | (904 439)         |
| Reclassification - note 40.1                                   |                   | 428 310           |
| Restated balance   |                   | 46 803 351        |
| <b>38 LOSS ON DISPOSAL OF NON-MONETARY ASSETS</b>              |                   |                   |
| Proceeds   | 501 683           | 640 725           |
| Less: Carrying value of Investment Property disposed           | (263 400)         | -                 |
| Less: Carrying value of Property, Plant and Equipment disposed | (287 791)         | (1 562 638)       |
| Less: Carrying value of Intangible Assets disposed             | (1 181)           | (522)             |
| <b>Total</b>   | <b>(50 690)</b>   | <b>(922 435)</b>  |

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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### 39 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR

#### 39.1 Inventory

Land held for sale was disclosed as Inventory. However, the characteristics of the land held for sale actually met the definition of Investment Property, and not that of Inventory. In addition, it was noted that property which was sold in the past, was also included in the land held for sale register.

|                                   |             |             |
|-----------------------------------|-------------|-------------|
| - Inventory - note 7              | Overstated  | (1 231 595) |
| - Investment Property - note 8    | Understated | 1 142 495   |
| - Accumulated Surplus - note 39.4 | Overstated  | (89 100)    |

#### 39.2 Property, Plant and Equipment

Corrections made to Investment Property include the following:

- Property meeting the definition of Investment Property was incorrectly classified as Property, Plant and Equipment.
- Other Assets (movable assets) previously not included in the asset register were identified during the current years asset verification.

The net effect of the above-mentioned errors were as follow:

|   |             |             |
|---|-------------|-------------|
| - Investment Property - note 8            | Understated | 4 384 340   |
| - Property, Plant and Equipment - note 9  | Overstated  | (4 356 139) |
| - Depreciation and Amortisation - note 33 | Understated | 9 054       |
| - Accumulated Surplus - note 39.4         | Understated | 37 255      |

#### 39.3 Payables from exchange transactions

Corrections made to Receivables from Exchange Transactions include the following:

- Payables amounting to R1 067 523 (including VAT) was duplicated in the prior year. Accordingly, both Payables from Exchange Transactions and Other Expenditure were overstated.
- Payables amounting to R64 234 (including VAT) was not accrued for as on 30 June 2017. Accordingly both Payables from Exchange Transactions and Other Expenditure were understated.

The net effect of the above-mentioned errors were as follow:

|   |            |             |
|---|------------|-------------|
| - Payables from exchange transactions - note 14 | Overstated | (1 003 289) |
| - Taxes - note 5                                | Overstated | (98 850)    |
| - Other Expenditure - note 37                   | Overstated | (904 439)   |

#### 39.4 Accumulated Surplus

|   |             |                 |
|---|-------------|-----------------|
| Inventory - note 39.1                     | Overstated  | (89 100)        |
| Property, Plant and Equipment - note 39.2 | Understated | 37 255          |
| <b>Total</b>                              |             | <b>(51 845)</b> |

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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### 40 PRIOR PERIOD ADJUSTMENTS - RECLASSIFICATION

#### 40.1 Revenue and Expenditure

The following items were reclassified in order to be aligned to the nature of the revenue or expenditure.

| Item                           | Previous Classification | Revised Classification        | Amount     |
|--------------------------------|-------------------------|-------------------------------|------------|
| Infrastructure Levies          | Other Taxes             | Service charges               | 10 228 580 |
| Unclaimed Money                | Other Income            | Fines, Penalties and Forfeits | 428 635    |
| Connection / Reconnection Fees | Other Income            | Service charges               | 244 479    |
| Licences and Permits           | Licences and Permits    | Agency Services               | 1 117 949  |
| Skills Development Levy        | Employee Related Costs  | Other Expenditure             | 644 170    |
| Collection Cost                | Collection Cost         | Other Expenditure             | 601 145    |
| Items listed in note - 36      | Other Expenditure       | Transfers and Grants          | 817 005    |

The above mentioned reclassifications affected the following line items:

#### Revenue

|  |              |
|--|--------------|
| - Other Taxes (line item removed from face of Statement of Financial Performance)          | (10 228 580) |
| - Fines, Penalties and Forfeits  | 428 635      |
| - Service Charges  | 10 473 059   |
| - Agency Services  | 1 117 949    |
| - Licences and Permits (line item removed from face of Statement of Financial Performance) | (1 117 949)  |
| - Other Income   | (673 114)    |

#### Expenditure

|   |           |
|---|-----------|
| - Employee Related Costs  | (644 170) |
| - Collection Cost (line item removed from face of Statement of Financial Performance) | (601 145) |
| - Transfers and Grants  | 817 005   |
| - Other Expenditure   | 428 310   |

#### 40.2 Statement of Financial Position

Capitalised Restoration cost was previously included as part of Property, Plant and Equipment (PPE). Although this item is accounted for under the Property Plant and Equipment Standard (GRAP 17), the characteristics and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost has been reclassified as a separate item on the face of the Statement of Financial Position. The reclassification affected the following line items:

|                                      |              |
|--------------------------------------|--------------|
| - Capitalised Restoration Cost (PPE) | 14 757 018   |
| - Property, Plant and Equipment      | (14 757 018) |

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### 41 NET CASH FROM OPERATING ACTIVITIES

|  | 2018              | 2017              |
|--|-------------------|-------------------|
| Net Surplus for the year   | 13 919 727        | 12 806 461        |
| Adjusted for:  |                   |                   |
| Non-cash revenue included in Net Surplus                               | (1 044 485)       | (3 670 810)       |
| Contributed Assets   | (1 046 370)       | (361 702)         |
| Actuarial Gains  | -                 | (3 259 244)       |
| Reversal of Impairments  | (1 653)           | (46 034)          |
| Rental of Facilities and Equipment - decrease in operating lease asset | 3 538             | (3 829)           |
| Non-cash expenditure included in Net Surplus                           | 56 562 575        | 61 362 913        |
| Employee Related Costs - Contributions towards                         | 7 612 230         | 6 838 712         |
| Post Retirement Medical Benefits                                       | 2 070 896         | 1 861 126         |
| Long Service Awards  | 318 934           | 324 969           |
| Bonuses  | 4 186 069         | 3 607 539         |
| Staff Leave  | 740 828           | 612 372           |
| Performance Bonuses  | 295 503           | 432 706           |
| Debt Impairment  | 26 296 551        | 32 326 939        |
| Depreciation and Amortisation  | 16 070 013        | 16 053 646        |
| Actuarial Losses   | 1 154 551         | -                 |
| Finance Charges  | 5 393 255         | 5 219 431         |
| Post Retirement Medical Benefits                                       | 2 485 173         | 2 346 250         |
| Long Service Awards  | 266 296           | 270 265           |
| Provision for Rehabilitation of Landfill-sites                         | 2 641 786         | 2 602 916         |
| Other Expenditure - decrease in operating lease liability              | (14 715)          | 1 750             |
| Loss on disposal of Non-Monetary Assets                                | 50 690            | 922 435           |
| Cash expenditure not included in Net Surplus                           | (5 831 055)       | (5 268 687)       |
| Post Retirement Medical Benefits                                       | (698 531)         | (644 992)         |
| Long Service Awards  | (390 504)         | (260 355)         |
| Bonuses  | (4 048 293)       | (3 494 189)       |
| Staff Leave  | (572 755)         | (540 166)         |
| Performance Bonus  | (120 972)         | (328 985)         |
| Operating Surplus before changes in working capital                    | 63 606 762        | 65 229 877        |
| Movement in working capital  | (23 096 431)      | (17 354 055)      |
| Receivables from Exchange Transactions                                 | (20 756 564)      | (13 378 578)      |
| Receivables from Non-Exchange Transactions                             | (15 656 240)      | (21 548 854)      |
| Inventory  | (246 848)         | (56 908)          |
| Payables from exchange transactions                                    | 14 026 393        | (13 856 764)      |
| Unspent Conditional Government Grants                                  | 1 145 089         | 29 900 658        |
| Taxes  | (1 608 261)       | 1 586 390         |
| <b>Cash Flow from Operating Activities</b>                             | <b>40 510 331</b> | <b>47 875 822</b> |

### 42 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents comprise out of the following:

|                          |                   |                   |
|--------------------------|-------------------|-------------------|
| Primary Bank Account     | 8 510 051         | 2 859 556         |
| Call and Notice Deposits | 10 016 900        | 19 433 004        |
| Cash Floats              | 5 114             | 8 330             |
| <b>Total</b>             | <b>18 532 065</b> | <b>22 300 890</b> |

Refer to note 2 for more details relating to cash and cash equivalents.

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### 43 BUDGET COMPARISONS

#### 43.1 Original vs Final Budget

##### Statement of Financial Position

Items in the State of Financial Position were adjusted to take into account adjustments made to the operating and capital budget and also to align balances with the actual audit outcomes of 2016/17.

In addition, both non-current assets and non-current liabilities were increased in anticipation of the Municipality entering into a finance lease for the purchase of utility vehicles.

##### Statement of Financial Performance - Revenue

Transfers Recognised (Operational) was adjusted as follow:

- Approval of roll over application for the Municipal Capacity Building Grant (R1.3 million)
- Additional funding for the Financial Management Support Grant (R1.7 million)
- Additional funding for the Municipal Drought Relief (R2.1 million)

Other Own Revenue was decreased mainly due to less Traffic Fines issued than what was anticipated (R13 million).

Transfers Recognised (Capital) was adjusted as follow:

- Approval of roll over application for the Municipal Infrastructure Grant (R5.2 million)
- Additional funding for the Municipal Drought Relief (R3.9 million)
- Additional funding for the Municipal Disaster Grant (R6.9 million)
- Human Settlement Development Grant (R10.7 million) allocation was reallocated to 2018/19.

##### Statement of Financial Performance - Expenditure

Employee Related Costs were increased as a result of TASK evaluation results and the appointment of general workers.

Debt Impairment was decreased due to a reduction Traffic Fines revenue of which the greater percentage of traffic fines issued are considered to be impaired.

Contracted Services was increased to take into account grant expenditure relating the Transfers Recognised (Operational).

##### Cash Flow Statement

Net Cash Flow from Operating Activities was decreased to take into account unspent grant monies which had to be surrendered.

Net Cash Flow from Investing Activities was increased to take into account additional capital expenditure resulting from grant funding, as well the Municipality entering into a finance lease for the purchase of utility vehicles.

Net Cash Flow from Financing Activities was increased to take into account the Municipality entering into a finance lease for the purchase of utility vehicles.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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### 43 BUDGET COMPARISONS (CONTINUED)

#### 43.2 Actual Amounts vs Final Budget

##### Statement of Financial Position

*Current assets were more than budgeted for due to several grant funded projects which were not concluded at year-end, resulting in a higher bank balance.*

*Non-current assets were less than budgeted as not all grant funded capital projects were concluded at year-end.*

*Current liabilities were more than budgeted for due to several grant funded projects which were not concluded at year-end, resulting in a higher unspent conditional grant balance.*

*Non-Current liabilities were more less than budget due to a decrease in the landfill site provision, where as a increase was budgeted for.*

##### Statement of Financial Performance - Revenue

*Service Charges were less than budget due to less water revenue levied than expected as a result of the drought being experienced in the municipal area.*

*Transfers recognised (operational) were less than budgeted due to grant funded projects which were not concluded at year-end.*

*Own Revenue were more than budgeted for due to fines issued, less any reductions and withdrawals, were less than anticipated.*

*Transfers recognised (capital) was less than budget due to several grant funded projects which were not concluded at year-end.*

##### Statement of Financial Performance - Expenditure

*Debt Impairment was less than the budget due to less fines issued (after deducting reductions and withdrawals) than anticipated.*

*Other Material, Contracted Services and Other Expenditure should be read in conjunction. The nett effect of the variances combined is less than materiality.*

##### Cash Flow Statement

*Net Cash Flow from Operating Activities was less than budgeted for due to the drought experienced and less water usage than expected.*

*Net Cash Flow from Investing Activities was less than budgeted for as not all projects were implemented.*

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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### 44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

#### 44.1 Unauthorised Expenditure

Unauthorised expenditure can be reconciled as follow:

|   |                |                  |
|---|----------------|------------------|
| Opening balance   | 1 163 123      | 12 556 589       |
| Unauthorised expenditure current year - operating       | 447 177        | 1 163 123        |
| Unauthorised expenditure current year - capital         | 190 066        | -                |
| Approved by Council                                     | (1 163 123)    | (12 556 589)     |
| <b>Unauthorised expenditure awaiting further action</b> | <b>637 243</b> | <b>1 163 123</b> |

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred. Refer below for votes of which the expenditure was in excess of the approved budget:

|   | 2018<br>(Actual)<br>R | 2018<br>(Final Budget)<br>R | 2018<br>(Variance)<br>R | 2018<br>(Unauthorised)<br>R |
|---|-----------------------|-----------------------------|-------------------------|-----------------------------|
| <b>Unauthorised expenditure - Operating</b> |                       |                             |                         |                             |
| Vote 1 - Executive and Council              | 8 009 545             | 7 914 510                   | 95 035                  | 95 035                      |
| Vote 2 - Office of Municipal Manager        | 3 575 817             | 3 596 341                   | (20 524)                | -                           |
| Vote 3 - Financial Services                 | 56 203 793            | 60 403 194                  | (4 199 401)             | -                           |
| Vote 4 - Community Development Services     | 43 508 561            | 52 037 113                  | (8 528 552)             | -                           |
| Vote 5 - Corporate and Strategic Services   | 19 924 119            | 19 571 977                  | 352 142                 | 352 142                     |
| Vote 6 - Engineering and Planning Services  | 138 102 084           | 141 361 301                 | (3 259 217)             | -                           |
| <b>Total</b>                                | <b>269 323 919</b>    | <b>284 884 436</b>          | <b>(15 560 517)</b>     | <b>447 177</b>              |
| <b>Unauthorised expenditure - Capital</b>   |                       |                             |                         |                             |
| Vote 1 - Executive and Council              | 59 549                | 72 963                      | (13 414)                | -                           |
| Vote 2 - Office of Municipal Manager        | -                     | -                           | -                       | -                           |
| Vote 3 - Financial Services                 | 5 160 336             | 5 281 145                   | (120 809)               | -                           |
| Vote 4 - Community Development Services     | 7 389 934             | 7 199 868                   | 190 066                 | 190 066                     |
| Vote 5 - Corporate and Strategic Services   | 373 494               | 702 812                     | (329 318)               | -                           |
| Vote 6 - Engineering and Planning Services  | 32 701 002            | 63 260 369                  | (30 559 367)            | -                           |
| <b>Total</b>                                | <b>45 684 315</b>     | <b>76 517 157</b>           | <b>(30 832 842)</b>     | <b>190 066</b>              |

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### 44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

#### 44.2 Irregular Expenditure

Irregular expenditure can be reconciled as follow:

|  |          |             |
|--|----------|-------------|
| Opening balance                                      | -        | 4 379 930   |
| Irregular expenditure incurred - current year        | -        | -           |
| Approved by Council                                  | -        | (4 379 930) |
| <b>Irregular expenditure awaiting further action</b> | <b>-</b> | <b>-</b>    |

#### 44.3 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure can be reconciled as follow:

|   |                |                |
|---|----------------|----------------|
| Opening balance   | 256 409        | 256 409        |
| Fruitless and wasteful expenditure incurred                       | 122 438        | -              |
| Approved by Council   | -              | -              |
| <b>Fruitless and wasteful expenditure awaiting further action</b> | <b>378 847</b> | <b>256 409</b> |

Details of fruitless and wasteful expenditure incurred

|  |                |                |
|--|----------------|----------------|
| (a) Electricity vendor did not pay electricity sales to Municipality | 256 409        | 256 409        |
| (b) SARS interest and penalties                                      | 122 438        | -              |
| <b>Total</b>   | <b>378 847</b> | <b>256 409</b> |

Disciplinary steps or criminal proceedings undertaken on above-mentioned fruitless and wasteful expenditure incurred:

- (a) Matter has been reported to SAPD and case 156/01/2013 has been opened.
- (b) The matter will be table to MPAC for resolution.

### 45 MATERIAL LOSSES

#### 45.1 Water distribution losses

|  |             |             |
|--|-------------|-------------|
| Kilo litres disinfected/purified/purchased | 3 096 910   | 3 617 874   |
| Kilo litres sold and free basic services   | (2 736 232) | (3 156 084) |
| Kilo litres lost during distribution       | 360 678     | 461 790     |
| Percentage lost during distribution        | 11.65%      | 12.76%      |

Normal pipe bursts and field leakages are responsible for water losses.

#### 45.2 Electricity distribution losses

|  |              |              |
|--|--------------|--------------|
| Units purchased (Kwh)  | 64 376 526   | 64 526 113   |
| Units sold, free basic services and standard friction losses | (60 418 539) | (60 532 626) |
| Units lost during distribution (Kwh)                         | 3 957 987    | 3 993 487    |
| Percentage lost during distribution                          | 6.15%        | 6.19%        |

Electricity losses are due to electricity theft on pre-paid meters. Fines were issued for first time offenders.



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### 46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### 46.1 SALGA Contributions [MFMA 125 (1)(b)]

|                            |           |           |
|----------------------------|-----------|-----------|
| Opening balance            | -         | -         |
| Expenditure incurred       | 864 246   | 796 300   |
| Payments                   | (864 246) | (796 300) |
| <b>Payments in advance</b> | <b>-</b>  | <b>-</b>  |

#### 46.2 Audit Fees [MFMA 125 (1)(c)]

|                                  |             |             |
|----------------------------------|-------------|-------------|
| Opening balance                  | -           | 512 637     |
| Expenditure incurred             | 3 678 879   | 3 810 562   |
| External Audit - Auditor-General | 3 643 292   | 3 766 504   |
| Audit Committee                  | 35 587      | 44 058      |
| Payments                         | (3 678 879) | (4 323 199) |
| <b>Outstanding Balance</b>       | <b>-</b>    | <b>-</b>    |

#### 46.3 VAT [MFMA 125 (1)(c)]

|                                     |                  |                    |
|-------------------------------------|------------------|--------------------|
| Opening balance                     | (1 756 773)      | (1 089 695)        |
| Net amount claimed during the year  | 5 325 586        | 328 256            |
| Net amount received during the year | (678 585)        | (995 334)          |
| <b>Outstanding Balance Payable</b>  | <b>2 890 228</b> | <b>(1 756 773)</b> |

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors. All VAT returns have been submitted by the due date throughout the year.

#### 46.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]

|  |                  |                |
|--|------------------|----------------|
| Opening balance  | 981 020          | 848 755        |
| Payroll deductions and Council Contributions during the year | 13 299 741       | 11 535 505     |
| Payments   | (13 254 687)     | (11 102 849)   |
| <b>Outstanding Balance</b>                                   | <b>1 026 074</b> | <b>981 020</b> |

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### 46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

#### 46.5 Pension and Medical Aid Contributions [MFMA 125 (1)(c)]

|  |              |              |
|--|--------------|--------------|
| Opening balance  | -            | -            |
| Payroll deductions and Council Contributions during the year | 20 638 389   | 18 265 079   |
| Payments made to pension and medical fund                    | (20 638 389) | (18 265 079) |
| <b>Outstanding Balance</b>                                   | <b>-</b>     | <b>-</b>     |

#### 46.6 Councillors Arrear Accounts [MFMA 124 (1)(b)]

The following Councillors had arrear accounts for more than 90 days as at 30 June:

|         |   |       |
|---------|---|-------|
| J White | - | 7 341 |
|---------|---|-------|

#### 46.7 Deviations from Supply Chain Management Regulations

Deviations from Supply Chain Management Regulations were identified on the following categories:

|  |                  |                  |
|--|------------------|------------------|
| Section 36(1)(a)(i) - Emergencies  | 487 648          | 689 248          |
| Section 36(1)(a)(ii) - Single provider                                   | 571 007          | 308 138          |
| Section 36(1)(a)(iii) - Specialised services                             | -                | -                |
| Section 36(1)(a)(iv) - Acquisition of animals for zoo's                  | -                | -                |
| Section 36(1)(a)(v) - Impractical so follow official procurement process | 44 780           | 2 159 561        |
| <b>Total</b>   | <b>1 103 435</b> | <b>3 156 947</b> |

Deviations from Supply Chain Management Regulations can be allocated as follow:

|                                   |                  |                  |
|-----------------------------------|------------------|------------------|
| Office of the Municipal Manager   | -                | -                |
| Financial Services                | 243 684          | 521 077          |
| Corporate and Strategic Services  | 17 933           | 105 982          |
| Community Development Services    | 265 525          | 219 195          |
| Engineering and Planning Services | 576 293          | 2 310 693        |
| <b>Total</b>                      | <b>1 103 435</b> | <b>3 156 947</b> |

All the deviations were ratified by the Municipal Manager and reported to Council.

#### 46.8 Other Non-Compliance [MFMA 125(2)(e)]

##### (a) Payments not made within 30 days

Money owed by the Municipality was not always paid within 30 days, as required by section 65(2)(e) of the Municipal Finance Management Act.

### 47 CAPITAL COMMITMENTS

|                             |                   |                   |
|-----------------------------|-------------------|-------------------|
| Approved and contracted for | <b>16 923 761</b> | <b>18 956 431</b> |
|-----------------------------|-------------------|-------------------|

This expenditure will be financed from:

|                   |                   |                   |
|-------------------|-------------------|-------------------|
| Government Grants | 16 373 735        | 16 838 939        |
| Own funding       | 550 025           | 2 117 493         |
| <b>Total</b>      | <b>16 923 761</b> | <b>18 956 431</b> |

Capital Commitments are disclosed exclusive of Value Added Tax (VAT).

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### 48 FINANCIAL RISK MANAGEMENT

The Municipality is potentially exposed to the following risks:

#### 48.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The following financial assets are exposed to credit risk:

|  |                   |                   |
|--|-------------------|-------------------|
| Cash and Cash Equivalents              | 18 532 065        | 22 300 890        |
| Receivables from exchange transactions | 30 307 216        | 26 473 276        |
| <b>Total</b>                           | <b>48 839 281</b> | <b>48 774 166</b> |

#### Cash and Cash Equivalents

Deposits of the Municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held and no cash were pledged as security. No collateral is held for any cash and cash equivalents.

#### Receivables from Exchange Transactions

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

Refer to note 3 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

Also refer to note 3 for more information regarding balances renegotiated beyond the original 30 days payment period initially granted.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

The following service receivables are passed due, but not impaired:

|                              |                   |                   |
|------------------------------|-------------------|-------------------|
| Electricity                  | 3 660 451         | 2 955 249         |
| Water                        | 2 844 123         | 5 633 615         |
| Refuse                       | 1 533 383         | 2 113 969         |
| Sewerage                     | 2 406 812         | 2 556 585         |
| Other                        | 1 896 859         | 183 893           |
| Rates (Statutory Receivable) | 7 848 758         | 4 664 849         |
| <b>Total</b>                 | <b>20 190 387</b> | <b>18 108 160</b> |

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### 48 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 48.2 Currency risk (Market Risk)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The financial instruments of the Municipality is not directly exposed to any currency risk.

#### 48.3 Interest rate risk (Market Risk)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following balances are exposed to interest rate fluctuations:

|  |                    |                |
|--|--------------------|----------------|
| Cash and Cash Equivalents (excluding cash on hand) | 18 526 951         | 22 292 560     |
| Long-term Liabilities (including current portion)  | (21 767 153)       | (22 051 586)   |
| <b>Net balance exposed</b>                         | <b>(3 240 202)</b> | <b>240 974</b> |

Potential effect of changes in interest rates on surplus and deficit for the year:

|   |          |       |
|---|----------|-------|
| 1% (2017 - 1%) increase in interest rates | (32 402) | 2 410 |
| 0% (2017 - 0%) decrease in interest rates | -        | -     |

South Africa is currently in an upward interest rate cycle and management does not foresee a decrease in the next 12 months.

#### 48.4 Liquidity risk

Liquidity risk is the risk encountered by the Municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The Municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

The following balances are exposed to liquidity risk:

|                                       | Within 1 Year     | Between 2 to 5 years | After 5 years    | Total              |
|---------------------------------------|-------------------|----------------------|------------------|--------------------|
| <b>30 JUNE 2018</b>                   |                   |                      |                  |                    |
| Annuity Loans                         | 4 242 425         | 15 772 360           | 4 481 974        | 24 496 759         |
| Finance Lease Liabilities             | 1 360 789         | 3 782 432            | -                | 5 143 221          |
| Payables from exchange transactions   | 50 416 734        | -                    | -                | 50 416 734         |
| Unspent Conditional Government Grants | 33 460 083        | -                    | -                | 33 460 083         |
| <b>Total</b>                          | <b>89 480 031</b> | <b>19 554 792</b>    | <b>4 481 974</b> | <b>113 516 797</b> |
| <b>30 JUNE 2017</b>                   |                   |                      |                  |                    |
| Annuity Loans                         | 4 546 228         | 16 071 695           | 8 425 064        | 29 042 986         |
| Finance Lease Liabilities             | 745 146           | 1 688 525            | -                | 2 433 671          |
| Payables from exchange transactions   | 36 427 333        | -                    | -                | 36 427 333         |
| Unspent Conditional Government Grants | 32 314 994        | -                    | -                | 32 314 994         |
| <b>Total</b>                          | <b>74 033 701</b> | <b>17 760 219</b>    | <b>8 425 064</b> | <b>100 218 985</b> |

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### 48 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 48.5 Other price risk (Market Risk)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Municipality is not exposed to any other price risk.

### 49 FINANCIAL INSTRUMENTS

The Municipality recognised the following financial instruments at amortised cost:

#### Financial Assets

|  |                   |                   |
|--|-------------------|-------------------|
| Cash and Cash Equivalents              | 18 532 065        | 22 300 890        |
| Receivables from Exchange transactions | 30 307 216        | 26 473 276        |
| <b>Total</b>                           | <b>48 839 281</b> | <b>48 774 166</b> |

#### Financial Liabilities

|  |                    |                   |
|--|--------------------|-------------------|
| Current Portion of Long-term Liabilities | 3 399 988          | 3 039 169         |
| Payables from exchange transactions      | 50 416 734         | 36 427 333        |
| Unspent Conditional Government Grants    | 33 460 083         | 32 314 994        |
| Long-Term Liabilities                    | 18 367 165         | 19 012 417        |
| <b>Total</b>                             | <b>105 643 970</b> | <b>90 793 914</b> |

### 50 STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the Municipality are classified as follows:

|  |                   |                   |
|--|-------------------|-------------------|
| Receivables from Non-Exchange Transactions | 13 024 217        | 9 256 553         |
| Rates                                      | 11 461 546        | 6 906 875         |
| Fines                                      | 1 562 671         | 2 349 679         |
| <b>Total</b>                               | <b>26 048 434</b> | <b>18 513 107</b> |

The amounts above are disclosed after any provision for impairment has been taken into account.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

| <i>Figures in Rand</i> |  | 2018      | 2017      |
|------------------------|--|-----------|-----------|
| <b>51</b>              | <b>EVENTS AFTER REPORTING DATE</b>   |           |           |
|                        | The Municipal had no significant events after reporting date.  |           |           |
| <b>52</b>              | <b>IN-KIND DONATIONS AND ASSISTANCE</b>  |           |           |
|                        | The Municipality did not receive any in-kind donations or assistance during the year under review.   |           |           |
| <b>53</b>              | <b>PRIVATE PUBLIC PARTNERSHIPS (PPP's)</b>   |           |           |
|                        | The Municipality did not enter into any PPP's in the current and prior year.   |           |           |
| <b>54</b>              | <b>CONTINGENT LIABILITIES</b>  |           |           |
|                        | The Municipality were exposed to the following contingent liabilities at year end:   |           |           |
| <b>54.1</b>            | <b>Matter against the Municipality by Jimmy Barnard</b>  | 50 000    | 50 000    |
|                        | This matter has been finalised but legal costs still have to be taxed or agreed. The legal costs for which the Municipality may be liable are estimated at R50 000.  |           |           |
| <b>54.2</b>            | <b>Matter against the Municipality by Mathilda Smith</b>   | 15 000    | 15 000    |
|                        | This applicant is claiming for damages amounting to R15 000. Since 2010, the applicant's attorneys has not taken any action on this matter. However, in 2015 she instructed her attorneys to continued with the matter.  |           |           |
| <b>54.3</b>            | <b>Matter against the Municipality by Siphokazi Sinxo (on behalf of her minor son, Lunje Sinxo)</b>  | 1 800 000 | 1 400 000 |
|                        | The applicant is claiming for damages amounting to R1 400 000 in total. These damages relate to an injury her son obtained on the property of the Municipality when an entrance gate became dislodged and fell on her son. Legal costs are estimated at approximately R 400 000.   |           |           |
| <b>54.4</b>            | <b>Matter against the Municipality by Patt Gooddall</b>  | 142 000   | -         |
|                        | The applicant is pleading sett of services against road and stormwater for the amount to R 92 000. The legal cost for which the Municipality may be liable are estimated at R 50 000.  |           |           |
| <b>54.5</b>            | <b>Matter against the Municipality by Elandsbaai Handelsmaatskappy</b>   | 700 000   | -         |
|                        | The applicant claims against infringement of property for the amount of R 650 000. The legal cost for which the Municipality may be liable are estimated at R 50 000.  |           |           |
| <b>54.6</b>            | <b>Matter against the Municipality by MJ Coetzee</b>   | 250 000   | -         |
|                        | This matter involves an application by the owners of Erf 234 Graafwater against the Municipality for declaratory relief, alternatively a review regarding the decision taken in respect of an application for consent use. The matter in ongoing , pleadings have closed and the Applicants have to set it down for hearing. The legal costs and disbursements that the Municipality may be liable for in the event that the application is successful, is estimated at R 250 000. |           |           |

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

Figures in Rand

2018

2017

55

### RELATED PARTIES

All rates, service charges and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public. No impairment charge have been recognised in respect of amounts owed by related parties.

#### 55.1 Related Party Loans

There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.

#### 55.2 Compensation of management personnel

Remuneration of management personnel are disclosed in notes 30 and 31.

#### 55.3 Other related party transactions

The following purchases were made during the year where Councillors, Management or Employees have an interest:

| Company Name | Related Party   | Service Capacity    | Relationship | Amount         | Amount         |
|--------------|-----------------|---------------------|--------------|----------------|----------------|
| P J Sobekwa  | J Sobekwa       | Foreman             | Brother      | 79 250         | 104 450        |
| HM Henderson | C Henderson     | Senior Clerk Stores | Sister       | 95 548         | 105 623        |
| Rural Impact | P V Blankenberg | Ward Assistant      | Brother      | -              | 29 950         |
| <b>Total</b> |                 |                     |              | <b>174 798</b> | <b>240 023</b> |

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### FINANCIAL SUSTAINABILITY

In the current year a financial turn-around strategy was implemented as part of the long-term financial plan. The results of the said implantation were as follow:

- The current assets to liabilities ratio decreased to 0.70:1 in comparison with 0.75:1 of the prior year.
- The average creditors' repayment days increased from 68 days to 93 days.
- Despite a worsening economic conditions and drought, the Municipality collection rate stabilised at 85%.

As cash shortfall of R14 727 195 as reported in note 2 is only of a temporary nature. After year-end the municipality was able to maintain positive cash balance which is more than sufficient address all outstanding statutory obligations.

In addition, harsh austerity measures has been implemented. The 2018/19 budget approved by Council is projecting a cash surplus of R6 386 576 over the MTREF period. The said austerity measures will have no negative impact on service delivery.

# CEDERBERG LOCAL MUNICIPALITY

## APPENDIX A (UNAUDITED)

### SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2018

| INSTITUTION  | LOAN<br>NUMBER | RATE   | MATURITY<br>DATE | OPENING BALANCE<br>1 JULY 2017 | RECEIVED<br>DURING YEAR | REDEEMED<br>DURING YEAR | CLOSING BALANCE<br>30 JUNE 2018 |
|--|----------------|--------|------------------|--------------------------------|-------------------------|-------------------------|---------------------------------|
| <b><u>ANNUITY LOANS</u></b>                        |                |        |                  |                                |                         |                         |                                 |
| ABSA   | 038-723-0991   | 9.84%  | 30 Sep 2018      | 820 335                        | -                       | (535 146)               | 285 189                         |
| ABSA   | 038-723-0992   | 9.84%  | 1 April 2025     | 2 609 204                      | -                       | (226 126)               | 2 383 078                       |
| ABSA   | 038-723-0993   | 10.43% | 17 June 2025     | 4 368 208                      | -                       | (369 365)               | 3 998 843                       |
| ABSA   | 038-723-0994   | 10.45% | 17 Nov 2025      | 1 830 218                      | -                       | (141 213)               | 1 689 005                       |
| ABSA   | 038-723-0995   | 10.45% | 17 Aug 2028      | 1 891 477                      | -                       | (129 084)               | 1 762 393                       |
| Standard Bank                                      | 03-263-793-4   | 10.36% | 31 Mar 2023      | 8 585 791                      | -                       | (1 095 548)             | 7 490 243                       |
| <b>Total Annuity Loans</b>                         |                |        |                  | <b>20 105 233</b>              | <b>-</b>                | <b>(2 496 482)</b>      | <b>17 608 751</b>               |
| <b><u>FINANCE LEASE LIABILITIES - PRINTERS</u></b> |                |        |                  |                                |                         |                         |                                 |
| Printers MPC2003SP                                 |                |        | 30 Nov 2017      | 51 869                         | -                       | (51 869)                | -                               |
| Printers MP2501SP                                  |                |        | 30 Nov 2017      | 14 408                         | -                       | (14 408)                | -                               |
| Printers D3Q20B                                    |                |        | 31 Dec 2019      | 46 176                         | -                       | (15 821)                | 30 355                          |
| Printers MPC305SPF                                 |                |        | 31 Dec 2019      | 50 056                         | -                       | (17 133)                | 32 923                          |
| Printers MPC2004SP                                 |                |        | 30 Apr 2020      | 188 515                        | -                       | (58 410)                | 130 105                         |
| Printers MPC8003SP                                 |                |        | 30 Apr 2020      | 181 213                        | -                       | (54 707)                | 126 506                         |
| <b>Total Finance Lease Liabilities - Printers</b>  |                |        |                  | <b>532 237</b>                 | <b>-</b>                | <b>(212 347)</b>        | <b>319 889</b>                  |
| <b><u>FINANCE LEASE LIABILITIES - VEHICLES</u></b> |                |        |                  |                                |                         |                         |                                 |
| ISUZU KB 250c Fleetside Regular CAB                | 00089668811    |        | 1 Jul 2022       | 257 263                        | -                       | (63 143)                | 194 120                         |
| ISUZU KB 250c Fleetside Regular CAB                | 00089668986    |        | 1 Jul 2022       | 257 263                        | -                       | (63 143)                | 194 120                         |
| ISUZU KB 250c Fleetside Regular CAB                | 00089669184    |        | 1 Jul 2022       | 257 263                        | -                       | (63 143)                | 194 120                         |
| Chevrolet Utility 1.4 + A/C (M18)                  | 00089669583    |        | 1 Jul 2022       | 192 531                        | -                       | (47 230)                | 145 301                         |
| Chevrolet Utility 1.4 + A/C (M18)                  | 00089670107    |        | 1 Jul 2022       | 192 531                        | -                       | (47 230)                | 145 301                         |
| ISUZU KB 250c Fleetside Regular CAB                | 00089670301    |        | 1 Jul 2022       | 257 263                        | -                       | (63 143)                | 194 120                         |
| ISUZU KB 250c Fleetside Regular CAB                | 00089733109    |        | 1 Aug 2022       | -                              | 257 263                 | (58 987)                | 198 276                         |
| ISUZU KB 250c Fleetside Regular CAB                | 00089733338    |        | 1 Aug 2022       | -                              | 454 236                 | (104 325)               | 349 911                         |
| ISUZU N Series NLR 150                             | 00089733443    |        | 1 Aug 2022       | -                              | 491 280                 | (112 805)               | 378 476                         |
| ISUZU KB 250c Fleetside Regular CAB                | 00089733478    |        | 1 Aug 2022       | -                              | 257 263                 | (58 987)                | 198 276                         |
| ISUZU N Series NLR 150                             | 00089733656    |        | 1 Aug 2022       | -                              | 491 280                 | (112 805)               | 378 476                         |
| ISUZU N Series NLR 150                             | 00089733664    |        | 1 Aug 2022       | -                              | 491 280                 | (112 805)               | 378 476                         |
| ISUZU N Series NLR 150                             | 00089733915    |        | 1 Aug 2022       | -                              | 491 280                 | (112 805)               | 378 476                         |
| ISUZU KB 250c Fleetside Regular CAB                | 00089734008    |        | 1 Aug 2022       | -                              | 257 263                 | (58 987)                | 198 276                         |
| TOYOTA ETIOS SEDAN 1.5SD SPRINT                    | 00089760637    |        | 1 Aug 2022       | -                              | 179 491                 | (23 098)                | 156 393                         |
| TOYOTA ETIOS SEDAN 1.5SD SPRINT                    | 00089760769    |        | 1 Aug 2022       | -                              | 179 491                 | (23 098)                | 156 393                         |
| <b>Total Finance Lease Liabilities - Vehicles</b>  |                |        |                  | <b>1 414 116</b>               | <b>3 550 129</b>        | <b>(1 125 733)</b>      | <b>3 838 512</b>                |
| <b>Total Long-Term Liabilities</b>                 |                |        |                  | <b>22 051 586</b>              | <b>3 550 129</b>        | <b>(3 834 563)</b>      | <b>21 767 152</b>               |



# CEDERBERG LOCAL MUNICIPALITY

## APPENDIX B (UNAUDITED)

### DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2018

|  | OPENING<br>BALANCE<br>R | GRANTS<br>RECEIVED / (REPAID)<br>R | TRANSFERRED TO<br>REVENUE<br>(OPERATING)<br>R | TRANSFERRED TO<br>REVENUE<br>(CAPITAL)<br>R | OTHER<br>MOVEMENT<br>R | CLOSING<br>BALANCE<br>R |
|--|-------------------------|------------------------------------|---|---|------------------------|-------------------------|
| <b>NATIONAL GOVERNMENT</b>                           |                         |                                    |   |   |                        |                         |
| Equitable Share                                      | -                       | 40 873 657                         | (40 873 657)                                  | -   | -                      | -                       |
| Municipal Infrastructure Grant (MIG)                 | 5 928 178               | 15 867 000                         | (3 174 514)                                   | (16 334 634)                                | -                      | 2 286 030               |
| Financial Management Grant (FMG)                     | -                       | 1 550 000                          | (1 550 000)                                   | -   | -                      | -                       |
| Integrated National Electrification Programme (INEP) | -                       | 4 000 000                          | (496 403)                                     | (3 503 597)                                 | -                      | -                       |
| Expanded Public Works Program (EPWP)                 | -                       | 1 807 000                          | (1 779 492)                                   | (27 508)                                    | -                      | -                       |
| Regional Bulk Infrastructure Grant (RBIG)            | 12 454 571              | (12 454 571)                       | -   | -   | -                      | -                       |
| Water Service Infrastructure Grant (WSIG)            | 24 087                  | 9 975 913                          | (268 420)                                     | (1 795 332)                                 | -                      | 7 936 248               |
| Municipal Disaster Grant                             | -                       | 7 962 000                          | (399 517)                                     | (2 663 443)                                 | -                      | 4 899 040               |
| <b>Total</b>   | <b>18 406 836</b>       | <b>69 580 999</b>                  | <b>(48 542 003)</b>                           | <b>(24 324 514)</b>                         | <b>-</b>               | <b>15 121 318</b>       |
| <b>PROVINCIAL GOVERNMENT</b>                         |                         |                                    |   |   |                        |                         |
| Human Settlement Development Grant                   | 4 826                   | 7 613 277                          | (1 327 391)                                   | (6 290 712)                                 | -                      | -                       |
| Library Services MRF                                 | -                       | 4 223 000                          | (4 134 197)                                   | (22 353)                                    | -                      | 66 451                  |
| CDW Support  | 40 173                  | 167 000                            | (119 032)                                     | -   | -                      | 88 141                  |
| Housing Consumer Education                           | 2 247                   | -                                  | -   | -   | -                      | 2 247                   |
| Municipal Drought Support Grant                      | 97 725                  | 6 000 000                          | -   | (699 466)                                   | -                      | 5 398 259               |
| IDP Grant  | 33 880                  | 66 000                             | (39 479)                                      | -   | -                      | 60 401                  |
| Financial Management Support Grant                   | -                       | 1 777 000                          | (1 554 370)                                   | -   | -                      | 222 630                 |
| Municipal Capacity Building Grant                    | 1 332 076               | 240 000                            | (1 572 076)                                   | -   | -                      | -                       |
| Acceleration of Housing Delivery                     | 12 397 231              | 3 030 000                          | (364 459)                                     | (2 642 036)                                 | -                      | 12 420 736              |
| Thusong Service Centre Grant                         | -                       | 109 000                            | (29 100)                                      | -   | -                      | 79 900                  |
| <b>Total</b>   | <b>13 908 158</b>       | <b>23 225 277</b>                  | <b>(9 140 105)</b>                            | <b>(9 654 567)</b>                          | <b>-</b>               | <b>18 338 765</b>       |
| <b>ALL SPHERES OF GOVERNMENT</b>                     | <b>32 314 994</b>       | <b>92 806 276</b>                  | <b>(57 682 108)</b>                           | <b>(33 979 081)</b>                         | <b>-</b>               | <b>33 460 083</b>       |

# CEDERBERG LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|  | ORIGINAL BUDGET<br>2018<br>R | BUDGET ADJUSTMENTS<br>2018<br>R | FINAL BUDGET<br>2018<br>R | ACTUAL OUTCOME<br>2018<br>R | BUDGET VARIANCE<br>2018<br>R | RESTATED OUTCOME<br>2017<br>R |
|--|------------------------------|---------------------------------|---------------------------|-----------------------------|------------------------------|-------------------------------|
| <b>Financial Performance</b>                                 |                              |                                 |                           |                             |                              |                               |
| Property rates   | 40 870 550                   | -                               | 40 870 550                | 41 372 155                  | 501 605                      | 38 308 187                    |
| Service charges  | 125 832 858                  | -                               | 125 832 858               | 120 342 155                 | (5 490 703)                  | 118 574 051                   |
| Investment revenue   | 391 125                      | 1 400 000                       | 1 791 125                 | 1 426 564                   | (364 561)                    | 863 414                       |
| Transfers and subsidies - operational                        | 58 056 306                   | 6 910 238                       | 64 966 544                | 57 682 108                  | (7 284 436)                  | 50 325 468                    |
| Other own revenue  | 49 799 732                   | (14 599 765)                    | 35 199 967                | 27 395 215                  | (7 804 752)                  | 36 682 427                    |
| <b>Total Operating Revenue (excluding capital transfers)</b> | <b>274 950 571</b>           | <b>(6 289 527)</b>              | <b>268 661 044</b>        | <b>248 218 197</b>          | <b>(20 442 847)</b>          | <b>244 753 548</b>            |
| Employee costs   | 87 718 311                   | 5 819 367                       | 93 537 678                | 93 658 527                  | 120 849                      | 82 700 107                    |
| Remuneration of councillors                                  | 4 928 058                    | 184 753                         | 5 112 811                 | 5 293 216                   | 180 405                      | 4 776 507                     |
| Debt impairment  | 42 939 396                   | (4 624 566)                     | 38 314 830                | 26 296 551                  | (12 018 279)                 | 32 326 939                    |
| Depreciation and asset impairment                            | 17 252 624                   | (1 025)                         | 17 251 599                | 16 070 013                  | (1 181 586)                  | 16 053 646                    |
| Finance charges  | 8 544 400                    | (938 695)                       | 7 605 705                 | 8 073 767                   | 468 062                      | 7 887 228                     |
| Bulk purchases   | 69 234 799                   | (154 617)                       | 69 080 182                | 68 531 369                  | (548 813)                    | 67 596 734                    |
| Other Materials  | 7 595 300                    | 1 617 148                       | 9 212 448                 | -                           | (9 212 448)                  | -                             |
| Contracted Services  | 15 500 630                   | 8 743 968                       | 24 244 598                | -                           | (24 244 598)                 | -                             |
| Transfers and grants   | 870 000                      | 912 562                         | 1 782 562                 | 1 021 052                   | (761 510)                    | 817 005                       |
| Other expenditure  | 19 683 486                   | (941 463)                       | 18 742 023                | 50 328 736                  | 31 586 713                   | 46 803 351                    |
| Loss on disposal of PPE                                      | -                            | -                               | -                         | 50 690                      | 50 690                       | 922 435                       |
| <b>Total Expenditure</b>                                     | <b>274 267 004</b>           | <b>10 617 432</b>               | <b>284 884 436</b>        | <b>269 323 921</b>          | <b>(15 560 515)</b>          | <b>259 883 952</b>            |
| <b>Surplus/(Deficit)</b>                                     | <b>683 567</b>               | <b>(16 906 959)</b>             | <b>(16 223 392)</b>       | <b>(21 105 724)</b>         | <b>(4 882 332)</b>           | <b>(15 130 404)</b>           |
| Transfers and subsidies - capital (monetary)                 | 59 493 693                   | 2 188 041                       | 61 681 734                | 33 979 081                  | (27 702 653)                 | 27 575 163                    |
| Transfers and subsidies - capital (in-kind)                  | -                            | -                               | -                         | 1 046 370                   | 1 046 370                    | 361 702                       |
| <b>Surplus/(Deficit) for the year</b>                        | <b>60 177 260</b>            | <b>(14 718 918)</b>             | <b>45 458 342</b>         | <b>13 919 727</b>           | <b>(31 538 615)</b>          | <b>12 806 461</b>             |
| <b>Capital expenditure &amp; funds sources</b>               |                              |                                 |                           |                             |                              |                               |
| <b>Capital expenditure</b>                                   | <b>70 634 840</b>            | <b>5 882 317</b>                | <b>76 517 157</b>         | <b>45 684 315</b>           | <b>(30 832 842)</b>          | <b>28 253 461</b>             |
| Transfers recognised - capital                               | 59 493 692                   | 2 188 041                       | 61 681 733                | 33 887 554                  | (27 794 179)                 | 22 965 974                    |
| Public contributions & donations                             | -                            | -                               | -                         | -                           | -                            | -                             |
| Borrowing  | -                            | 3 550 129                       | 3 550 129                 | 3 809 487                   | 259 358                      | -                             |
| Internally generated funds                                   | 11 141 148                   | 144 147                         | 11 285 295                | 7 987 274                   | (3 298 021)                  | 5 287 487                     |
| <b>Total sources of capital funds</b>                        | <b>70 634 840</b>            | <b>5 882 317</b>                | <b>76 517 157</b>         | <b>45 684 315</b>           | <b>(30 832 842)</b>          | <b>28 253 461</b>             |
| <b>Cash flows</b>  |                              |                                 |                           |                             |                              |                               |
| Net cash from (used) operating                               | 75 197 945                   | (20 222 430)                    | 54 975 515                | 40 510 331                  | (14 465 184)                 | 47 875 822                    |
| Net cash from (used) investing                               | (70 634 841)                 | (5 882 318)                     | (76 517 159)              | (44 136 262)                | 32 380 897                   | (27 115 296)                  |
| Net cash from (used) financing                               | (3 260 115)                  | 3 084 694                       | (175 421)                 | (142 894)                   | 32 527                       | (949 867)                     |
| Net Cash Movement for the year                               | 1 302 989                    | (23 020 055)                    | (21 717 065)              | (3 768 825)                 | 17 948 240                   | 19 810 659                    |
| Cash/cash equivalents at beginning of year                   | 2 505 080                    | 19 795 811                      | 22 300 890                | 22 300 890                  | (0)                          | 2 490 231                     |
| <b>Cash/cash equivalents at the year end</b>                 | <b>3 808 069</b>             | <b>(3 224 244)</b>              | <b>583 825</b>            | <b>18 532 065</b>           | <b>17 948 240</b>            | <b>22 300 890</b>             |

# CEDERBERG LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|  | ORIGINAL BUDGET<br>2018<br>R | BUDGET ADJUSTMENTS<br>2018<br>R | FINAL BUDGET<br>2018<br>R | ACTUAL OUTCOME<br>2018<br>R | BUDGET VARIANCE<br>2018<br>R | RESTATED OUTCOME<br>2017<br>R |
|--|------------------------------|---------------------------------|---------------------------|-----------------------------|------------------------------|-------------------------------|
| <b>REVENUE (STANDARD CLASSIFICATION)</b>     |                              |                                 |                           |                             |                              |                               |
| <b>Governance and administration</b>         |                              |                                 |                           |                             |                              |                               |
| Executive and council                        | 7 426 947                    | 117 389                         | 7 544 336                 | 7 446 712                   | (97 624)                     | 2 438 127                     |
| Finance and administration                   | 49 269 198                   | 839 232                         | 50 108 430                | 50 343 672                  | 235 242                      | 49 410 698                    |
| Internal audit                               | -                            | -                               | -                         | -                           | -                            | -                             |
| <b>Community and public safety</b>           |                              |                                 |                           |                             |                              |                               |
| Community and social services                | 4 523 181                    | -                               | 4 523 181                 | 4 296 714                   | (226 467)                    | 40 186 000                    |
| Sport and recreation                         | 3 748 522                    | (934)                           | 3 747 588                 | 3 052 791                   | (694 797)                    | 15 231                        |
| Public safety                                | -                            | -                               | -                         | -                           | -                            | -                             |
| Housing                                      | 19 540 000                   | (10 452 985)                    | 9 087 015                 | 7 618 103                   | (1 468 912)                  | 1 867 070                     |
| <b>Economic and environmental services</b>   |                              |                                 |                           |                             |                              |                               |
| Planning and development                     | 38 029 629                   | 2 342 289                       | 40 371 918                | 25 220 738                  | (15 151 180)                 | 1 404 292                     |
| Road transport                               | 38 447 388                   | (12 758 063)                    | 25 689 325                | 18 649 872                  | (7 039 453)                  | 48 658                        |
| <b>Trading services</b>                      |                              |                                 |                           |                             |                              |                               |
| Energy sources                               | 91 775 759                   | 797 000                         | 92 572 759                | 91 743 061                  | (829 698)                    | 87 513 589                    |
| Water management                             | 48 461 132                   | 15 014 586                      | 63 475 718                | 41 484 976                  | (21 990 742)                 | 54 099 486                    |
| Waste water management                       | 17 753 218                   | -                               | 17 753 218                | 18 004 671                  | 251 453                      | 21 907 187                    |
| Waste management                             | 15 469 290                   | -                               | 15 469 290                | 15 382 337                  | (86 953)                     | 13 800 074                    |
| <b>Total Revenue - Standard</b>              | <b>334 444 264</b>           | <b>(4 101 486)</b>              | <b>330 342 778</b>        | <b>283 243 647</b>          | <b>(47 099 131)</b>          | <b>272 690 413</b>            |
| <b>EXPENDITURE (STANDARD CLASSIFICATION)</b> |                              |                                 |                           |                             |                              |                               |
| <b>Governance and administration</b>         |                              |                                 |                           |                             |                              |                               |
| Executive and council                        | 10 372 545                   | (89 347)                        | 10 283 198                | 10 439 874                  | 156 676                      | 9 827 861                     |
| Finance and administration                   | 81 224 907                   | 9 706 989                       | 90 931 896                | 86 570 139                  | (4 361 757)                  | 68 755 133                    |
| Internal audit                               | 685 095                      | 54 990                          | 740 085                   | 725 874                     | (14 211)                     | -                             |
| <b>Community and public safety</b>           |                              |                                 |                           |                             |                              |                               |
| Community and social services                | 6 227 952                    | (166 115)                       | 6 061 837                 | 5 290 801                   | (771 036)                    | 51 308 534                    |
| Sport and recreation                         | 9 265 796                    | 1 485 932                       | 10 751 728                | 10 205 360                  | (546 368)                    | -                             |
| Public safety                                | -                            | -                               | -                         | -                           | -                            | -                             |
| Housing                                      | 2 159 201                    | 2 419 237                       | 4 578 438                 | 3 300 487                   | (1 277 951)                  | 1 596 963                     |
| <b>Economic and environmental services</b>   |                              |                                 |                           |                             |                              |                               |
| Planning and development                     | 5 896 464                    | (294 583)                       | 5 601 881                 | 5 087 123                   | (514 758)                    | 8 498                         |
| Road transport                               | 43 900 372                   | (7 795 784)                     | 36 104 588                | 30 036 312                  | (6 068 276)                  | 6 146 232                     |
| <b>Trading services</b>                      |                              |                                 |                           |                             |                              |                               |
| Energy sources                               | 78 238 224                   | 1 200 711                       | 79 438 935                | 78 221 374                  | (1 217 561)                  | 71 424 552                    |
| Water management                             | 17 037 984                   | 2 737 690                       | 19 775 674                | 19 083 654                  | (692 020)                    | 43 250 537                    |
| Waste water management                       | 9 615 606                    | (125 932)                       | 9 489 674                 | 9 035 015                   | (454 659)                    | 4 096 350                     |
| Waste management                             | 9 642 858                    | 1 483 644                       | 11 126 502                | 11 327 906                  | 201 404                      | 3 469 288                     |
| <b>Total Expenditure - Standard</b>          | <b>274 267 004</b>           | <b>10 617 432</b>               | <b>284 884 436</b>        | <b>269 323 919</b>          | <b>(15 560 517)</b>          | <b>259 883 950</b>            |
| <b>Surplus/(Deficit) for the year</b>        | <b>60 177 260</b>            | <b>(14 718 918)</b>             | <b>45 458 342</b>         | <b>13 919 728</b>           | <b>(31 538 614)</b>          | <b>12 806 463</b>             |

# CEDERBERG LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|  | ORIGINAL BUDGET<br>2018<br>R | BUDGET ADJUSTMENTS<br>2018<br>R | FINAL BUDGET<br>2018<br>R | ACTUAL OUTCOME<br>2018<br>R | BUDGET VARIANCE<br>2018<br>R | RESTATED OUTCOME<br>2017<br>R |
|--|------------------------------|---------------------------------|---------------------------|-----------------------------|------------------------------|-------------------------------|
| <b>REVENUE AND EXPENDITURE<br/>(MUNICIPAL VOTE CLASSIFICATION)</b> |                              |                                 |                           |                             |                              |                               |
| <b>REVENUE</b>   |                              |                                 |                           |                             |                              |                               |
| Vote 1 - Executive and Council                                     | 7 426 947                    | 40 173                          | 7 467 120                 | 7 378 979                   | (88 141)                     | 1 900 203                     |
| Vote 2 - Office of Municipal Manager                               | -                            | 177 096                         | 177 096                   | 107 212                     | (69 884)                     | 537 924                       |
| Vote 3 - Financial Services  | 46 348 891                   | 389 232                         | 46 738 123                | 47 478 767                  | 740 644                      | 47 552 442                    |
| Vote 4 - Community Development Services                            | 68 392 991                   | (23 511 982)                    | 44 881 009                | 35 425 688                  | (9 455 321)                  | 41 816 666                    |
| Vote 5 - Corporate and Strategic Services                          | 781 372                      | 450 000                         | 1 231 372                 | 750 224                     | (481 148)                    | 743 955                       |
| Vote 6 - Engineering and Planning Services                         | 211 494 063                  | 18 353 995                      | 229 848 058               | 192 102 777                 | (37 745 281)                 | 180 139 223                   |
| <b>Total Revenue by Vote</b>                                       | <b>334 444 264</b>           | <b>(4 101 486)</b>              | <b>330 342 778</b>        | <b>283 243 647</b>          | <b>(47 099 131)</b>          | <b>272 690 413</b>            |
| <b>EXPENDITURE</b>   |                              |                                 |                           |                             |                              |                               |
| Vote 1 - Executive and Council                                     | 8 237 798                    | (323 288)                       | 7 914 510                 | 8 009 545                   | 95 035                       | 5 610 118                     |
| Vote 2 - Office of Municipal Manager                               | 2 949 842                    | 646 499                         | 3 596 341                 | 3 575 817                   | (20 524)                     | 4 217 743                     |
| Vote 3 - Financial Services  | 53 882 289                   | 6 520 905                       | 60 403 194                | 56 203 793                  | (4 199 401)                  | 49 695 058                    |
| Vote 4 - Community Development Services                            | 56 184 084                   | (4 146 971)                     | 52 037 113                | 43 508 561                  | (8 528 552)                  | 52 363 384                    |
| Vote 5 - Corporate and Strategic Services                          | 17 134 975                   | 2 437 002                       | 19 571 977                | 19 924 119                  | 352 142                      | 19 060 075                    |
| Vote 6 - Engineering and Planning Services                         | 135 878 016                  | 5 483 285                       | 141 361 301               | 138 102 084                 | (3 259 217)                  | 128 937 571                   |
| <b>Total Expenditure by Vote</b>                                   | <b>274 267 004</b>           | <b>10 617 432</b>               | <b>284 884 436</b>        | <b>269 323 919</b>          | <b>(15 560 517)</b>          | <b>259 883 950</b>            |
| <b>Surplus/(Deficit) for the year</b>                              | <b>60 177 260</b>            | <b>(14 718 918)</b>             | <b>45 458 342</b>         | <b>13 919 728</b>           | <b>(31 538 614)</b>          | <b>12 806 463</b>             |

# CEDERBERG LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|   | ORIGINAL BUDGET<br>2018<br>R | BUDGET ADJUSTMENTS<br>2018<br>R | FINAL BUDGET<br>2018<br>R | ACTUAL OUTCOME<br>2018<br>R | BUDGET VARIANCE<br>2018<br>R | RESTATED OUTCOME<br>2017<br>R |
|---|------------------------------|---------------------------------|---------------------------|-----------------------------|------------------------------|-------------------------------|
| <b>REVENUE AND EXPENDITURE</b>                |                              |                                 |                           |                             |                              |                               |
| <b>REVENUE BY SOURCE</b>                      |                              |                                 |                           |                             |                              |                               |
| Property rates                                | 40 870 550                   | -                               | 40 870 550                | 41 372 155                  | 501 605                      | 38 308 187                    |
| Service charges - electricity revenue         | 80 640 390                   | -                               | 80 640 390                | 79 800 801                  | (839 589)                    | 78 026 103                    |
| Service charges - water revenue               | 27 692 727                   | -                               | 27 692 727                | 23 925 988                  | (3 766 739)                  | 24 504 506                    |
| Service charges - sanitation revenue          | 9 200 252                    | -                               | 9 200 252                 | 9 451 705                   | 251 453                      | 8 812 406                     |
| Service charges - refuse revenue              | 8 299 489                    | -                               | 8 299 489                 | 7 163 661                   | (1 135 828)                  | 7 231 036                     |
| Rental of facilities and equipment            | 470 913                      | -                               | 470 913                   | 3 451 935                   | 2 981 022                    | 3 755 082                     |
| Interest earned - external investments        | 391 125                      | 1 400 000                       | 1 791 125                 | 1 426 564                   | (364 561)                    | 863 414                       |
| Interest earned - outstanding debtors         | 3 081 538                    | (1 540 768)                     | 1 540 770                 | 2 067 817                   | 527 047                      | 2 960 994                     |
| Fines, penalties and forfeits                 | 35 482 484                   | (13 058 063)                    | 22 424 421                | 15 293 744                  | (7 130 677)                  | 21 607 070                    |
| Licences and permits                          | -                            | -                               | -                         | -                           | -                            | -                             |
| Agency services                               | 2 995 665                    | -                               | 2 995 665                 | 3 101 335                   | 105 670                      | 2 817 435                     |
| Transfers and subsidies - Operating           | 58 056 306                   | 6 910 238                       | 64 966 544                | 57 682 108                  | (7 284 436)                  | 50 325 468                    |
| Other revenue                                 | 7 769 132                    | (934)                           | 7 768 198                 | 3 480 384                   | (4 287 814)                  | 5 541 846                     |
| Gain on disposal of PPE                       | -                            | -                               | -                         | -                           | -                            | -                             |
| <b>Total Revenue (excl capital transfers)</b> | <b>274 950 571</b>           | <b>(6 289 527)</b>              | <b>268 661 044</b>        | <b>248 218 197</b>          | <b>(20 442 847)</b>          | <b>244 753 548</b>            |
| <b>EXPENDITURE BY TYPE</b>                    |                              |                                 |                           |                             |                              |                               |
| Employee related costs                        | 87 718 311                   | 5 819 367                       | 93 537 678                | 93 658 527                  | 120 849                      | 82 700 107                    |
| Remuneration of councillors                   | 4 928 058                    | 184 753                         | 5 112 811                 | 5 293 216                   | 180 405                      | 4 776 507                     |
| Debt impairment                               | 42 939 396                   | (4 624 566)                     | 38 314 830                | 26 296 551                  | (12 018 279)                 | 32 326 939                    |
| Depreciation and asset impairment             | 17 252 624                   | (1 025)                         | 17 251 599                | 16 070 013                  | (1 181 586)                  | 16 053 646                    |
| Finance charges                               | 8 544 400                    | (938 695)                       | 7 605 705                 | 8 073 767                   | 468 062                      | 7 887 228                     |
| Bulk purchases                                | 69 234 799                   | (154 617)                       | 69 080 182                | 68 531 369                  | (548 813)                    | 67 596 734                    |
| Other Materials                               | 7 595 300                    | 1 617 148                       | 9 212 448                 | -                           | (9 212 448)                  | -                             |
| Contracted Services                           | 15 500 630                   | 8 743 968                       | 24 244 598                | -                           | (24 244 598)                 | -                             |
| Transfers and grants                          | 870 000                      | 912 562                         | 1 782 562                 | 1 021 052                   | (761 510)                    | 817 005                       |
| Other expenditure                             | 19 683 486                   | (941 463)                       | 18 742 023                | 50 328 736                  | 31 586 713                   | 46 803 351                    |
| Loss on disposal of PPE                       | -                            | -                               | -                         | 50 690                      | 50 690                       | 922 435                       |
| <b>Total Expenditure</b>                      | <b>274 267 004</b>           | <b>10 617 432</b>               | <b>284 884 436</b>        | <b>269 323 921</b>          | <b>(15 560 515)</b>          | <b>259 883 952</b>            |
| <b>Surplus/(Deficit)</b>                      | <b>683 567</b>               | <b>(16 906 959)</b>             | <b>(16 223 392)</b>       | <b>(21 105 724)</b>         | <b>(4 882 332)</b>           | <b>(15 130 404)</b>           |
| Transfers and subsidies - Capital (monetary)  | 59 493 693                   | 2 188 041                       | 61 681 734                | 33 979 081                  | (27 702 653)                 | 27 575 163                    |
| Transfers and subsidies - Capital (in-kind)   | -                            | -                               | -                         | 1 046 370                   | 1 046 370                    | 361 702                       |
| <b>Surplus/(Deficit) for the year</b>         | <b>60 177 260</b>            | <b>(14 718 918)</b>             | <b>45 458 342</b>         | <b>13 919 727</b>           | <b>(31 538 615)</b>          | <b>12 806 461</b>             |

# CEDERBERG LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|  | ORIGINAL BUDGET<br>2018<br>R | BUDGET ADJUSTMENTS<br>2018<br>R | FINAL BUDGET<br>2018<br>R | ACTUAL OUTCOME<br>2018<br>R | BUDGET VARIANCE<br>2018<br>R | RESTATED OUTCOME<br>2017<br>R |
|--|------------------------------|---------------------------------|---------------------------|-----------------------------|------------------------------|-------------------------------|
| <b>CAPITAL EXPENDITURE</b>                           |                              |                                 |                           |                             |                              |                               |
| <b>CAPITAL EXPENDITURE (MUNICIPAL VOTE)</b>          |                              |                                 |                           |                             |                              |                               |
| <b>Multi-year expenditure</b>                        |                              |                                 |                           |                             |                              |                               |
| Vote 1 - Executive and Council                       | -                            | -                               | -                         | -                           | -                            | -                             |
| Vote 2 - Office of Municipal Manager                 | -                            | -                               | -                         | -                           | -                            | -                             |
| Vote 3 - Financial Services                          | -                            | -                               | -                         | -                           | -                            | -                             |
| Vote 4 - Community Development Services              | 17 140 000                   | (17 140 000)                    | -                         | -                           | -                            | -                             |
| Vote 5 - Corporate and Strategic Services            | -                            | -                               | -                         | -                           | -                            | -                             |
| Vote 6 - Engineering and Planning Services           | 40 449 701                   | 4 657 913                       | 45 107 614                | 24 320 111                  | (20 787 503)                 | 18 749 747                    |
| <b>Total Multi-year expenditure</b>                  | <b>57 589 701</b>            | <b>(12 482 087)</b>             | <b>45 107 614</b>         | <b>24 320 111</b>           | <b>(20 787 503)</b>          | <b>18 749 747</b>             |
| <b>Single-year expenditure</b>                       |                              |                                 |                           |                             |                              |                               |
| Vote 1 - Executive and Council                       | 430 000                      | (357 037)                       | 72 963                    | 59 549                      | (13 414)                     | -                             |
| Vote 2 - Office of Municipal Manager                 | -                            | -                               | -                         | -                           | -                            | -                             |
| Vote 3 - Financial Services                          | 2 462 708                    | 2 818 437                       | 5 281 145                 | 5 160 336                   | (120 809)                    | 538 070                       |
| Vote 4 - Community Development Services              | 1 085 500                    | 6 114 368                       | 7 199 868                 | 7 389 934                   | 190 066                      | 838 747                       |
| Vote 5 - Corporate and Strategic Services            | 1 032 940                    | (330 128)                       | 702 812                   | 373 494                     | (329 318)                    | 749 064                       |
| Vote 6 - Engineering and Planning Services           | 8 033 991                    | 10 118 764                      | 18 152 755                | 8 380 891                   | (9 771 864)                  | 7 377 832                     |
| <b>Total Single-year expenditure</b>                 | <b>13 045 139</b>            | <b>18 364 404</b>               | <b>31 409 543</b>         | <b>21 364 204</b>           | <b>(10 045 339)</b>          | <b>9 503 714</b>              |
| <b>Total Capital Expenditure by Vote</b>             | <b>70 634 840</b>            | <b>5 882 317</b>                | <b>76 517 157</b>         | <b>45 684 315</b>           | <b>(30 832 842)</b>          | <b>28 253 461</b>             |
| <b>CAPITAL EXPENDITURE (STANDARD CLASSIFICATION)</b> |                              |                                 |                           |                             |                              |                               |
| <b>Governance and administration</b>                 |                              |                                 |                           |                             |                              |                               |
| Executive and council                                | 430 000                      | (357 037)                       | 72 963                    | 59 549                      | (13 414)                     | -                             |
| Finance and administration                           | 3 636 148                    | 2 423 809                       | 6 059 957                 | 5 605 398                   | (454 559)                    | 538 070                       |
| Internal audit                                       | -                            | -                               | -                         | -                           | -                            | 749 064                       |
| <b>Community and public safety</b>                   |                              |                                 |                           |                             |                              |                               |
| Community and social services                        | 245 000                      | (79 000)                        | 166 000                   | 512 665                     | 346 665                      | 852 328                       |
| Sport and recreation                                 | 1 000 000                    | (368 000)                       | 632 000                   | 573 909                     | (58 091)                     | 605 681                       |
| Public safety  | -                            | -                               | -                         | -                           | -                            | -                             |
| Housing  | 17 140 000                   | (10 736 132)                    | 6 403 868                 | 6 290 712                   | (113 156)                    | -                             |
| <b>Economic and environmental services</b>           |                              |                                 |                           |                             |                              |                               |
| Planning and development                             | 30 002 990                   | 5 607 843                       | 35 610 833                | 22 156 610                  | (13 454 223)                 | 277 282                       |
| Road transport                                       | 1 120 000                    | (644 000)                       | 476 000                   | 220 773                     | (255 227)                    | 3 366 274                     |
| <b>Trading services</b>                              |                              |                                 |                           |                             |                              |                               |
| Energy sources                                       | 5 218 772                    | 149 990                         | 5 368 762                 | 4 391 831                   | (976 931)                    | 3 512 477                     |
| Water management                                     | 9 521 930                    | 11 613 574                      | 21 135 504                | 5 526 691                   | (15 608 813)                 | 4 872 112                     |
| Waste water management                               | 700 000                      | (160 730)                       | 539 270                   | 325 577                     | (213 693)                    | 12 150 410                    |
| Waste management                                     | 1 620 000                    | (1 568 000)                     | 52 000                    | 20 600                      | (31 400)                     | 1 329 762                     |
| <b>Total Capital Expenditure - Standard</b>          | <b>70 634 840</b>            | <b>5 882 317</b>                | <b>76 517 157</b>         | <b>45 684 315</b>           | <b>(30 832 842)</b>          | <b>28 253 461</b>             |

# CEDERBERG LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|  | ORIGINAL BUDGET<br>2018<br>R | BUDGET ADJUSTMENTS<br>2018<br>R | FINAL BUDGET<br>2018<br>R | ACTUAL OUTCOME<br>2018<br>R | BUDGET VARIANCE<br>2018<br>R | RESTATED OUTCOME<br>2017<br>R |
|--|------------------------------|---------------------------------|---------------------------|-----------------------------|------------------------------|-------------------------------|
| <b>CAPITAL EXPENDITURE (CONTINUED)</b> |                              |                                 |                           |                             |                              |                               |
| <b>FUNDING SOURCES</b>                 |                              |                                 |                           |                             |                              |                               |
| National Government                    | 29 589 692                   | 8 088 458                       | 37 678 150                | 24 324 712                  | (13 353 438)                 | 20 549 157                    |
| Provincial Government                  | 29 904 000                   | (5 900 417)                     | 24 003 583                | 9 562 843                   | (14 440 740)                 | 2 416 818                     |
| District Municipality                  | -                            | -                               | -                         | -                           | -                            | -                             |
| Other transfers and grants             | -                            | -                               | -                         | -                           | -                            | -                             |
| <b>Transfers recognised - capital</b>  | 59 493 692                   | 2 188 041                       | 61 681 733                | 33 887 554                  | (27 794 179)                 | 22 965 974                    |
| Public contributions & donations       | -                            | -                               | -                         | -                           | -                            | -                             |
| Borrowing                              | -                            | 3 550 129                       | 3 550 129                 | 3 809 487                   | 259 358                      | -                             |
| Internally generated funds             | 11 141 148                   | 144 147                         | 11 285 295                | 7 987 274                   | (3 298 021)                  | 5 287 487                     |
| <b>Total Capital Funding</b>           | <b>70 634 840</b>            | <b>5 882 317</b>                | <b>76 517 157</b>         | <b>45 684 315</b>           | <b>(30 832 842)</b>          | <b>28 253 461</b>             |

# CEDERBERG LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|  | ORIGINAL BUDGET<br>2018<br>R | BUDGET ADJUSTMENTS<br>2018<br>R | FINAL BUDGET<br>2018<br>R | ACTUAL OUTCOME<br>2018<br>R | BUDGET VARIANCE<br>2018<br>R | RESTATED OUTCOME<br>2017<br>R |
|--|------------------------------|---------------------------------|---------------------------|-----------------------------|------------------------------|-------------------------------|
| <b>CASH FLOWS</b>                              |                              |                                 |                           |                             |                              |                               |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>     |                              |                                 |                           |                             |                              |                               |
| <b>Receipts</b>                                |                              |                                 |                           |                             |                              |                               |
| Property rates, penalties & collection charges | 37 192 200                   | (1 757 434)                     | 35 434 767                | 37 233 630                  | 1 798 863                    | 32 839 893                    |
| Service charges                                | 114 507 902                  | (2 193 956)                     | 112 313 946               | 99 585 591                  | (12 728 356)                 | 105 195 474                   |
| Other revenue                                  | 19 212 628                   | (3 246 532)                     | 15 966 096                | 12 203 307                  | (3 762 789)                  | 15 935 359                    |
| Government - operating                         | 58 056 307                   | 3 273 793                       | 61 330 100                | 58 827 197                  | (2 502 903)                  | 80 208 923                    |
| Government - capital                           | 59 493 693                   | (26 490 509)                    | 33 003 184                | 33 979 081                  | 975 896                      | 27 575 163                    |
| Interest                                       | 3 195 325                    | (248 622)                       | 2 946 703                 | 3 494 381                   | 547 678                      | 3 824 409                     |
| <b>Payments</b>                                |                              |                                 |                           |                             |                              |                               |
| Suppliers and employees                        | (212 790 659)                | 10 889 378                      | (201 901 280)             | (201 111 292)               | 789 989                      | (214 218 596)                 |
| Finance charges                                | (2 799 452)                  | 689 938                         | (2 109 514)               | (2 680 512)                 | (570 998)                    | (2 667 797)                   |
| Transfers and grants                           | (870 000)                    | (1 138 487)                     | (2 008 487)               | (1 021 052)                 | 987 435                      | (817 005)                     |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>      | <b>75 197 945</b>            | <b>(20 222 430)</b>             | <b>54 975 515</b>         | <b>40 510 331</b>           | <b>(14 465 184)</b>          | <b>47 875 822</b>             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>    |                              |                                 |                           |                             |                              |                               |
| <b>Receipts</b>                                |                              |                                 |                           |                             |                              |                               |
| Proceeds on disposal of PPE                    | -                            | -                               | -                         | 501 683                     | 501 683                      | 640 725                       |
| <b>Payments</b>                                |                              |                                 |                           |                             |                              |                               |
| Capital assets                                 | (70 634 841)                 | (5 882 318)                     | (76 517 159)              | (44 637 945)                | 31 879 214                   | (27 756 021)                  |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>   | <b>(70 634 841)</b>          | <b>(5 882 318)</b>              | <b>(76 517 159)</b>       | <b>(44 136 262)</b>         | <b>32 380 897</b>            | <b>(27 115 296)</b>           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>    |                              |                                 |                           |                             |                              |                               |
| <b>Receipts</b>                                |                              |                                 |                           |                             |                              |                               |
| Borrowing long term/refinancing                | -                            | 3 550 129                       | 3 550 129                 | 3 550 129                   | -                            | 1 414 116                     |
| Increase (decrease) in consumer deposits       | 105 734                      | -                               | 105 734                   | 141 540                     | 35 805                       | 150 298                       |
| <b>Payments</b>                                |                              |                                 |                           |                             |                              |                               |
| Repayment of borrowing                         | (3 365 849)                  | (465 436)                       | (3 831 284)               | (3 834 563)                 | (3 278)                      | (2 514 280)                   |
| <b>NET CASH FROM FINANCING ACTIVITIES</b>      | <b>(3 260 115)</b>           | <b>3 084 694</b>                | <b>(175 421)</b>          | <b>(142 894)</b>            | <b>32 527</b>                | <b>(949 867)</b>              |
| <b>NET INCREASE/ (DECREASE) IN CASH HELD</b>   | <b>1 302 989</b>             | <b>(23 020 055)</b>             | <b>(21 717 065)</b>       | <b>(3 768 825)</b>          | <b>17 948 240</b>            | <b>19 810 659</b>             |
| Cash/cash equivalents at the year begin:       | 2 505 080                    | 19 795 811                      | 22 300 890                | 22 300 890                  | (0)                          | 2 490 231                     |
| Cash/cash equivalents at the year end:         | 3 808 069                    | (3 224 244)                     | 583 825                   | 18 532 065                  | 17 948 240                   | 22 300 890                    |